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The Case for Railway Nationalisation

CHAPTER I

GENERAL ARGUMENT

For some years past a number of people have pointed out that the incompetent and amateur way in which the railroads of the United Kingdom were run was becoming a menace to the national welfare, and that the whole fabric of railway finance was becoming so top heavy that its collapse was merely a question of time; and the only remedy that these observers could see was that the State should take over, consolidate, and operate as one great undertaking the entire railway system of the country, as it already does with the Post Office and allied services. There was nothing very startling in this suggestion, for most other countries, including our own dominions and dependencies, have pursued this course, and, as is made apparent in a subsequent chapter, the principle of State ownership and operation of railways is fast gaining ground all over the world; and whilst those countries which have nationalised their railway system show no signs of reverting to company ownership and management, every country which has, for one reason or another, nationalised a portion of its railway system, rapidly proceeds to nationalise further

portions of the system. The average Britisher, untravelled and uninformed with regard to economics generally, has in the past paid little attention to these warnings, and the subject of railway nationalisation appeared unlikely to assume a more practical shape than to be a suitable theme for discussion in local debating societies. Within the last year or two, however, the public attitude has undergone a violent transformation, and the whole subject of the State ownership and management of our railways has left the academic stage and entered the realm of practical politics. There is nothing strange in this; the results of economic forces, which to the eyes of the observant have long appeared inevitable, burst upon the crowd with dramatic suddenness, as though they were the outcome of unforeseen and adventitious circumstances.

Whoever stops to think out the position of our railways will find that they give rise to a pronounced conflict of interests between different sections of the community. There are the *owners* of the railways—the shareholders—who naturally enough desire to receive the highest possible revenue on their investments, and who are dissatisfied, for during the last decade they have witnessed an enormous depreciation in the value of their stock, and during a period of great trade activity are receiving somewhat meagre dividends. There is the great army of *railway workers*, some six hundred thousand strong, most of whom are quite inadequately paid, many of them indeed receiving nothing better than starvation wages. These workers, whose occupation is a dangerous one, desire to secure higher wages, shorter working periods, and safer conditions of work, this last a point which is often

overlooked by the general public. Then there is that important section of the community, which may be grouped under the heading of *traders*. This includes the large manufacturers who have to receive large quantities of raw materials and forward large quantities of manufactured goods, the tens of thousands of wholesalers and retailers throughout the country, and agriculturists, to all of whom the amount they have to pay for the carriage of their materials, manufactures, and products is of the utmost importance. It is in the interests of this large section of the nation that the charges for the transport of goods and commodities should be as low as possible. Then comes the *general public*, which is affected directly as passengers and indirectly as consumers of goods and commodities that have to pay carriage. It is in the interests of this section of the community that passenger fares and goods rates should be low.

At first sight it appears wellnigh impossible to reconcile such divergent interests, for if shareholders are to receive high dividends, greater profits must be earned, and the most direct method of earning greater profits is not to increase the wages of railway workers, to expend large sums on safety appliances, to reduce the hours of labour, and to lower goods rates and passenger fares. The same argument applies to each of the sections of the community referred to, and it would seem as though one section could only benefit at the expense of another. If, however, the situation be carefully examined, it will be seen that while it may be impossible to find any means whereby all these divergent interests could be fully reconciled, yet there is, as it were, a least common multiple whereby this

conflict of interests can be reduced to its lowest proportions, and this, it is claimed, is to be found in the State ownership and operation of the whole of the railways in the country, which is what the term 'railway nationalisation' is intended to cover. Why this should be so, and how it may be brought about, it is the purpose of this book to explain; but to compress the argument into a few sentences, it may be said that: Owing to the absurd overlapping of the 217 railway companies, with their ridiculous duplication of Boards of Directors, General Managers, Solicitors, Auditors, and the like, with the unnecessary duplication of railway stations, rolling stock, with the employment of thousands of unnecessary officials, such as canvassers, and needless advertising in connection with the services between those towns where there is competition, millions of pounds are wasted annually, which could be saved by unification and centralised management of the whole system as in the case of the Post Office. The credit of one railway company differs from that of another, and the credit of the State is better than that of the best circumstanced railway company. The amount of interest that the State would have to pay therefore in respect of the capital it borrowed for the purpose of buying out the present proprietors would be several millions less than the profits actually being earned by the railway system, so that several million pounds per annum would be saved under this head. The huge annual sums that would be saved from these two methods of economy would enable the administration gradually to increase wages, reduce working hours, improve the conditions of labour generally, and lower the cost of goods rates and passenger

fares, in just the same way as is being done by the Post Office, which, with its continuous reductions in rates and improvements in facilities, compares remarkably with the contrary course pursued by the railway companies. Over and above these economic circumstances, there is the even more important fact that the railways of the country, being the high roads of the modern world, should be administered with a single eye to the benefit of the whole people—*a thing which no company organised purely for purposes of making as big profits as possible could be expected to do.* If it be urged that the railways are better managed under companies than they would be if operated by the State, somebody should write a book, and form a society, having for their purpose the denationalisation of our high roads (which were formerly worked by and for the profit of private enterprise) and their control and management by companies similar, let us say, to the London and North Western, the South Eastern and Chatham, and the Caledonian Railway Companies.

These, then, are the main lines—the term is an appropriate one in connection with railways—of the arguments set forth in this book; and an honest endeavour will be made to examine all the principal factors of the problem, and to deal as fairly with the objections to nationalisation as is done with the arguments in favour thereof.

CHAPTER II

HISTORY OF RAILWAYS

To reach the starting point in the evolution of the railway system of this country it is necessary to go back some 250 years; it was not, however, until the early part of the nineteenth century, when the locomotive engine came into practical use, that the enormous possibilities of this form of transport were realised. Construction then proceeded with feverish activity, and in a very short space of time thousands of miles of line were thrown open for traffic, an almost incredible change in the habits of the nation being thereby effected.

It is undoubtedly to the mineral wealth of our land that we owe the inception of the railroad. The almost prohibitive cost of conveying coal and other minerals from the mines to the nearest river or the sea, which from time immemorial had furnished the sole means of transport, rendered the possession of these products practically valueless. Towards the end of the seventeenth century, therefore, attempts were made to facilitate the carriage of coal by laying blocks of stone or plates of iron to provide smooth running for the wheels of the vehicles. Timber was likewise used for this purpose, for we read that in 1676 rails of this material were laid from the mines in the neighbourhood of Newcastle to the River Tyne. For many years attention was devoted to the improvement of these railroads (or tram-roads as they came to be called), first by substituting iron rails, then by providing the

iron rails with flanges or trammels, and later by transferring the flange from the rail to the wheel of the vehicle. It was also found that by forming trains composed of a number of small trucks in place of the old wagons, much heavier loads could be hauled with the same expenditure of power, in consequence of the better distribution of weight and friction.

But railroads alone with the horse as the chief motive force did not suffice to meet the rapidly increasing demands for better and cheaper means of transport; with the growth of the manufacturing industries the need became more and more acute. Especially was this the case in the inland districts where the pack-horse still reigned supreme. The cost of the latter method may be judged from the fact that the charge for conveying coal over the seven miles separating Worsley from Manchester was from 6s. to 8s. per ton.

In the year 1761 an event took place which was destined to have a far-reaching effect upon the commerce of the country. This was the opening of the Bridgewater Canal, constructed by the Duke of Bridgewater with the main object of facilitating the conveyance of coal from his collieries. The success attending this enterprise was so great that an era of construction of artificial waterways thereupon set in, culminating towards the end of the century in the canal mania. It is stated that at the time of the introduction of steam railways close upon 3000 miles of canals were being navigated.

So far reference has been made solely to transport difficulties in connection with goods, but the problem of conveyance had also to be solved for the traveller. It is a noteworthy coincidence that the age which produced the first railroad

also brought the stage coach into being. This form of vehicle, uncomfortable as it was compared with the modern railway carriage, soon sprang into popular favour, which it continued to enjoy until the advent of the all-conquering locomotive speedily sealed its fate. In 1838, when the London and Birmingham Railway was opened, there were 3026 stage coaches and 54 four-horse and 49 pair-horse mail coaches on the roads. Within a few years practically the whole of these had vanished.

Concurrently with the construction of canals and the multiplication of stage coaches, engineers were at work endeavouring to adapt the newly-invented steam-engine to purposes of locomotion. As early as the year 1769 a steam carriage for road traffic had been constructed by a French engineer, but the originator of the idea of using the locomotive on railroads appears to have been a Cornishman named Trevithick, by whom a steam-engine was constructed which in 1804 performed its trial journey on a line at Merthyr Tydvil, travelling a distance of nine miles at the rate of five miles an hour. In 1813 another engine, 'Puffing Billy,' commenced work at Wylam Colliery, near Newcastle-on-Tyne, and the fact that it remained in constant use for forty-nine years speaks well for the excellency of its construction.

At this stage, George Stephenson, who was then employed at the Killingworth Colliery, came into prominence as a locomotive inventor, his first engine starting work on the 25th July, 1814.

The building of the Stockton and Darlington Railway marks perhaps the most important period in the history of our railway system. This line, which was authorised by an Act of Parliament

passed on the 19th April, 1821, was opened on the 27th September, 1825. It was primarily intended for mineral traffic, but to meet the demands of the public a regular passenger service was established. The next year saw the opening of the Monkland Railway in Scotland, and other small lines quickly followed.

The question of motive power, however, had at this time by no means been settled, for horses, stationary engines, and locomotives were all called into requisition. What really decided the point and established the superiority of the locomotive over all other forms of traction was the celebrated competition held at Rainhill in 1829, when Stephenson's 'Rocket' won for him the prize of £500 offered by the directors of the Liverpool and Manchester Railway, then close upon completion. The directors were so satisfied with the performance that they decided to employ nothing but the locomotive on their new line.

It is a remarkable fact that the public generally, instead of welcoming the improved means of transport afforded by railways, at first not only viewed them with disfavour, but actively opposed their construction; to such an extent was this opposition persisted in, that the preliminary surveys had often to be made surreptitiously on account of the hostility displayed towards the surveyors. Moreover, in Parliament, and in the periodicals of the day, objections, which to us seem highly ludicrous, were constantly urged against the innovation.

The striking success of the Liverpool and Manchester Railway, which was opened in 1830, gave, however, an enormous impetus to railway enterprise. In spite of the fact that engineering difficulties had greatly increased the cost of this line

above the figure originally estimated, it yielded a dividend of 8 per cent. Between 1830 and 1838, the year in which the London and Birmingham line was opened, no less than fifty-six Acts of Parliament were passed, authorising the construction of some 1800 miles of line. By the end of 1841 the mileage actually being worked had reached the figure of 1650. Thus in the short space of eleven years a substantial proportion of the existing lines was thrown open to traffic.

Between 1841 and 1843, however, very little progress was made, not more than 179 additional miles of line being opened during this period. The cause of the slackening down is probably attributable to the depression of trade which was prevalent at that time. With renewed prosperity the public interest in the subject was again aroused. The railways already in operation had proved such an unqualified success that people were now only too eager to invest their money in similar concerns. Hundreds of schemes were promoted, many of them totally worthless, as the unfortunate investors found to their cost when the crash came at the termination of the railway mania in 1845.

The connection of many of the lines in existence about the middle of the nineteenth century with those of the present day would hardly be recognised by their names. As towns were linked up and through services made possible the advantages of the amalgamation of two or more companies or the absorption of the smaller lines by the larger became manifest. In this way the London and North Western Railway was formed by the amalgamation of the London and Birmingham, the Liverpool and Manchester, the Grand Junction, and the Manchester and Birmingham

Railways; the North Midland, the Midland Counties, and the Birmingham and Derby Railways were united to form the Midland Railway; the Great Northern Railway was constituted by the amalgamation of the London and York and the Direct Northern Railways; the North Eastern Railway by the amalgamation of the York, Newcastle and Berwick, the York and North Midland, and the Leeds Northern Railway, the famous Stockton and Darlington Railway being subsequently brought into the system. The present Great Western Railway system consists of the combination of over one hundred companies.

Although there is quite a railway literature recording both the origin of the railways and their present day working, it is strange how little appears to have been written about the railways during what has been termed their 'middle ages,' that is between the years 1850 and 1880, when the railways were consolidating their position. In an article which appeared in the *Cornhill Magazine* for October, 1912, an account was given of a book written in 1879 by an ex-station-master of the Great Western Railway, under the title of *Earnest Struggles*. The author of the article, Mr H. G. Archer, stated that the book is very rare, for the Great Western Railway Company practically achieved its suppression. Its sale was prohibited at the bookstalls on the line, and any employee found in possession of a copy became a marked man, the light the book threw upon contemporary railway management and the harsh conditions under which the rank and file of the railway army laboured not being to the taste of the directors. That in this respect we have not yet fully emerged from the 'middle ages' is

shown by the fact that at the present time a certain daily newspaper is not allowed to be sold on the bookstalls of one of the important tube railways in London, its attitude on labour problems not being to the taste of the management.

The hours worked by the staff on busy stations were terribly long, but the staff at the small stations, at which only the Parliamentary trains called, enjoyed a great deal of leisure. Mr Gladstone's Cheap Trains Act of 1844 compelled the railway companies to give third-class passengers covered vehicles, a seat, and a minimum speed of twelve miles an hour, inclusive of stops, at a penny per mile; but the Act compelled the running of only one such train in each direction daily, and for many years the companies, which have always had to have reforms forced upon them by Parliament, refused to do more than this. In fact, special efforts were taken that the speed should be kept down to the legal minimum, the cheap trains being purposely shunted for long intervals at junctions. One would have thought that meanness could hardly go further, but it did, for passengers travelling by these Parliamentary trains were not allowed to enter the refreshment rooms. During the waits that the company enforced upon third-class passengers, the latter usually adjourned to an adjacent public-house under the leadership of the guard of the train, who earned a commission on the custom he brought. Dishonesty is said to have been rampant among the booking-clerks, who added to their scanty wages by defrauding the public as much as possible. Acts of Parliament provided that the lists of tolls and fares should be exhibited, but the management took no pains to

see that these lists were placed where they could be easily found (the same holds good of the time-tables on many lines to this day), and it was not until 1890 that an Act was passed making it compulsory on every company to print the fares on the tickets. Many of the booking-clerks therefore used not to open the booking-office until the train had been signalled, and would avail themselves of the rush either to overcharge or to give short change to the passengers. The author of the book referred to, states that this practice was openly carried on at Oxford station, where he was sent to learn booking. After the departure of a London express, the booking-clerk and he would balance the train book, and invariably found the money in the till to be several pounds in excess of the amount required, whereupon the booking-clerk pocketed the surplus. The railway directors held the view that signal boxes should not be made comfortable or they might render the signalman less vigilant. A description is given in *Earnest Struggles* of the signal box at Wallingford Road as typical of the wayside signal box of the period. No door was provided, but as the box rested on a pivot, the signalman turned it round according to the direction of the wind. There was no fireplace, for the company allowed no firing, and the signalman assured the author that the first winter he was almost frozen alive. Prior to 1880, employers' liability did not exist, and according to the author of the work referred to, railway directors were sometimes guilty of incredible meanness towards the dependants of employees killed on duty. One instance is given where the gatekeeper at a level crossing tried to avert a collision and was killed, and it is alleged that the

company disregarded his wife's claim for compensation, and that she had to go to the workhouse.

The following figures indicate the growth of our railways since 1840 :—

1841.	Number of miles open	=	1,650
1854.	,, ,,	=	8,053
1874.	,, ,,	=	16,449
1888.	,, ,,	=	18,681
1898.	,, ,,	=	21,659
1904.	,, ,,	=	22,634
1911.	,, ,,	=	23,417

There are to-day some 313 separate railway companies; many of these, however, lease their lines to larger ones. The number of companies actually working the lines is about 150.

During recent years the application of electricity to railway traction has made considerable headway, and although it is not likely to cause such a revolution as did the introduction of the steam locomotive, in many respects it is a great advance upon the latter, and has rendered possible the construction of the tube railways which have been so instrumental in reducing the congestion in the streets of large cities.

This brief outline of the development of our railway system would not be complete without some reference to the measures of control which Parliament from time to time has found necessary to adopt. In 1842 the Board of Trade, by the Regulation of Railways Act of that year, was entrusted with the duty of appointing inspectors to examine the lines before they were opened for traffic; it was empowered to postpone the opening if necessary, to disallow by-laws, and to institute proceedings against the companies

for infringing the laws. The Board was also authorised to require the companies to furnish returns of accidents and of tolls levied. In 1846 five Commissioners of Railways were appointed to take over these duties from the Board, but after five years the former arrangement was reverted to.

In 1854 the Railway and Canal Traffic Act was passed, whereby the railway companies were required to provide reasonable facilities for receiving, forwarding, and delivering their own traffic and the traffic of other companies, and to abstain from unreasonable preference. The provisions of this Act, however, were not always complied with, for from time to time it became necessary for inquiries to be held into the working of railways, and as the result of an inquiry held in 1872, the Regulation of Railways Act of 1873 was passed, providing for the appointment of a Railway Commission consisting of three members (one to be of experience in law and one of experience in railway business) to secure compliance with the Act of 1854. These Commissioners were appointed for five years, but their appointment was continued for two further periods of similar duration, until in 1888 a permanent Commission was established to decide all questions arising under the various Acts. Yet another inquiry was held in 1893, which resulted in further legislation on the subject of rates.

Apart from controlling the relationship between the companies and the public in the matter of charges, Parliament has also found it necessary to impose obligations upon the companies for the protection of travellers and of railway servants. The Act of 1871, for instance, provides for inquiries to be held in the case of certain

accidents. Under the Act of 1889 the adoption of the block system was made compulsory on all passenger lines, as well as the interlocking of points and signals and the fitting of automatic continuous brakes. In 1893 an Act was passed enabling the Board of Trade to interfere when representations are made to them that the hours worked by any railway servants are unduly long. The Railway Employment (Prevention of Accidents) Act of 1900 also gives further powers to make rules with the object of minimising the dangers connected with the railway service. For some figures relating to the growth of British Railways, see Table on page 21.

CHAPTER III

TREND OF RAILWAY MANAGEMENT

THE preceding chapter will have shown the development of the British railway system, but it may here be desirable to express in as few words as possible what seems to be the general trend of railway management in the United Kingdom.

The system adopted by this country in connection with the growth of the railway system was to encourage competition, and to allow any one to build a railroad who could show that the line of railway proposed was physically practicable, and that he had the capital with which to construct it. As a result, numerous short lines were constructed, and there was much competition between the early railways. Our legislators utterly failed to understand that a railway, from its very nature, is monopolistic.

Beginning with numerous small and disconnected lines, the necessity for amalgamation

FIGURES RELATING TO THE RAILWAY SYSTEMS OF THE UNITED KINGDOM.

Year.	Gross Receipts.	Expenditure.	Net Receipts.	Percentage of Working Expenditure to Total Receipts.	Total Mileage.	Total Capital and Funded Debt.
1870	£45,078,143	£21,715,525	£23,362,618	48	15,537	£529,908,678
1880	65,491,625	33,601,124	31,890,501	51	17,933	728,316,848
1890	79,948,702	43,188,556	36,760,146	54	20,078	897,472,026
1895	85,922,702	47,876,637	38,046,065	56	21,174	1,001,110,221
1900	104,801,858	64,743,520	40,058,338	62	21,855	1,176,001,890
1905	113,531,019	70,064,663	43,466,356	62	22,847	1,272,600,935
1910	123,925,565	76,569,676	47,355,889	62	23,387	1,318,515,417
1911	127,199,570	78,617,824	48,581,746	62	23,417	1,324,018,361

PER MILE OF LINE.

Year.	Gross Receipts.	Expenditure.	Net Receipts.	Capital and Debt.
1870	£2901	£1397	£1504	£34,106
1880	3652	1873	1779	40,613
1890	3983	2151	1832	44,749
1895	4058	2261	1797	47,280
1900	4795	2962	1833	53,809
1905	4969	3066	1903	55,701
1910	5299	3274	2025	56,378
1911	5432	3357	2075	56,541

and consolidation necessarily soon made itself felt, and those in control of the companies soon worked towards converting congeries of small lines into a system. In this they were quite right, and the Board of Trade in 1845 reported that consolidations were beneficial, provided they were of continuous and not competing lines.

In 1864 the Railway Companies' Powers Act was passed, which authorised the companies to make amalgamations and agreements with one another, the only restriction of any importance being that the consent of the Board of Trade was required to each such agreement. Subsequent commissions reported in a similar sense, and it may be said that these commissions have always recognised that amalgamations among competing lines were inevitable. Yet, while the railway companies have gone in for a series of amalgamations and absorptions, each such operation appears to have been carried out with a view to getting the better of some other company. Among the thousands of railway directors and managers who have been in control of the different portions of the British railway system, there does not appear to have been one genius or far-seeing man—even a Harriman—who has worked for a homogeneous railway system under one control.

The trend of railway management has been rather towards the formation of a number of strong units, having a monopoly over certain areas, but coming into contact in certain large towns, and there contending for the traffic Had this competition been real—that is to say, had it extended to rates and fares—the result wou'd probably have been that, between certain competitive points, services would have been cheap, whilst parts of the country, where each company

had a monopoly, would have had to make good the losses incurred at the competitive points. At a very early period of their history, however, the companies decided to agree among themselves as to what rates they should charge between competitive points, with the result that the main element of competition, namely charge, is not existent. In the case of some passenger services, as, for instance, between London and Birmingham, there is still a certain amount of competition in speed and comfort, but these cases are growing less and less, and often there is an agreement between two 'competing' companies as to speed, it being alleged, for example, that the London and South Western and the London, Brighton, and South Coast Railway have an agreement that no train between London and Portsmouth shall perform the journey in less than two hours!

Another method to which companies have been tending in dividing traffic is known as the percentage division of traffic. By this means the whole of the traffic between two towns or districts is pooled and divided between the companies upon a fixed basis.

The trend of British railway management therefore appears to have been towards the building up of large units, such units keeping up the appearance and expense (in the shape of separate receiving offices, goods depots, canvassers, etc.) of competition without there really being any competition worth speaking of; the idea probably being to keep Parliament and public opinion quiet. Thus, for years, the chairmen and apologists of the companies have expatiated upon the advantages of competition, in which, indeed, some of them may really have believed. As,

however, the effects of the financial mismanagement of the railway companies made themselves felt and dividends declined, a growing demand on the part of shareholders and outside critics for more scientific management and less waste of capital, combined with the unheard of demand that Railway Boards should be recruited from the ranks of people knowing something about railways, spurred some of the railway managements into action, and resulted in a new kind of combination by which unnecessary mileage may be abolished, in the shape of suppressing certain duplicate train services and doing away with hundreds of duplicate collecting offices, canvassers, etc.

This system is the Working Agreement system, and we now have the following combines :—

{South Eastern Railway.
London, Chatham and Dover Railway.

{Great Northern Railway.
Great Eastern Railway.
Great Central Railway.

{London and North Western Railway.
Midland Railway.
Lancashire and Yorkshire Railway.

{Great Western Railway.
London and South Western Railway.

In the main these combines have been forced upon the railway managements by determined shareholders, but it has had the effect that railway chairmen and their apologists, where they used to point out the advantages of competition, now point out the disadvantages of competition, and enumerate the great savings and increase in efficiency resulting from wise co-operation.

There is, however, unfortunately no sign of a wider outlook among these gentlemen now than in the past. It is merely the units which have become larger, and these units watch and impede one another as jealously as at any previous period. Thus, if the Midland, impressed by the possibilities of London dock traffic now that the docks have been removed from the mismanagement of companies, takes over the Tilbury line, the Great Eastern group opposes the purchase.

The general managers of some of the big companies appear to be more enlightened, as is shown by the extracts from their writings given in Chapter XIX

The attention of the different managements having been drawn to the possibility of increasing their earnings by absorbing certain small lines, developments in this direction appear probable.

It is the curse of the company system, however, that no thoroughly comprehensive scheme appears to be in contemplation, and only the greatest pressure is inducing the managements of one or two of the big companies to deign to discuss with the originator the possibility of a great central goods clearing-house for London, which, like almost every other great improvement, will have to be forced upon the companies either by outside pressure or by Parliament. That some such scheme must come is obvious to every impartial observer.

That the whole trend of railway affairs is leading straight to nationalisation is already apparent to acute observers, and lest it be imagined that here the wish is the father to the thought, it may be mentioned that so determined an opponent as Mr W. S. Acworth, in a paper read

before the Royal Economic Society on 11th January, 1912, gave utterance to the following remarks :—

'The conclusion, therefore, that I most reluctantly arrive at is that we cannot go on as we are, that there is little hope for the establishment of an adequate and clearly thought out system of State control, and that, therefore, the only alternative—State ownership—is inevitable. I can see on the political horizon no force to stop it. In former days we could trust to the weight of the pressure exerted by that which we are accustomed to impersonate as the Treasury to prevent the adoption of large financial schemes whose success was at least questionable. But of late years the Treasury has become a great spending department. In former days the great mass of middle-class public opinion would have strongly opposed State ownership. The feeling among manufacturers and merchants to-day is, I imagine, quite different. At most they are neutral. An enormous majority of the railway workers would undoubtedly welcome it—from their own point of view, not unnaturally. And not only have the railway workers half a million votes, but as every engine-driver and guard is naturally regarded as a railway expert by his fellow-workmen in other occupations, they would influence a vast number of other working-class votes. As a matter of mere politics, two at least of the most prominent members of the present Cabinet have declared themselves in favour of State ownership. The Labour party and the Nationalist party are definitely committed to it, while the fact that the reaction of a railway rates policy on customs policy and tariffs is not unimportant, predisposes the Unionist party to keep at least an open mind on the subject.

'As for the railway directors, managers, and shareholders, they have every reason to welcome State purchase. And I think the more far-sighted among

them see this themselves. Having regard to the terms that the London Water Companies obtained not so many years ago from the Metropolitan Water Board, and to the still more recent purchase of the Tanjohg Pagar Docks at Singapore by the Imperial Government, the shareholders have every reason to expect to be able to sell out at a price which would be at least fair. The managers know that their services would continue indispensable under Government ownership, while their position would be more dignified. Even directors, according to recent precedents, are entitled to compensation for loss of office. If the shareholders obtained a State guarantee of their present income, they would, in my judgment, make a very good bargain; for I cannot see that there is any prospect that, if they continue as shareholders, their dividends will improve. I do not doubt that considerable further economies are still possible. But the net income from these economies is fully mortgaged. For one thing, future capital (and electrification alone is going to cost untold millions) will not again be raised in our time at 3 per cent. For another, everybody now recognises that our railways have in the past been improvidently financed, and that net receipts ought to provide much more generously than they have done for betterments and obsolescence. And beyond all this there looms up large in the future the prospect of sweeping reductions in wholesale goods rates. That these rates are substantially higher than in the great competing countries, I have no doubt. That they are justifiably higher, I agree. But that the railways are entitled to charge them does not imply that the traders and manufacturers can afford to pay them. And if they cannot, then the railway companies must accept reductions lest the goose that lays the golden eggs be killed.

'I end by saying that State ownership is, in my judgment, coming, and coming soon.'

CHAPTER IV

RAILWAYS AND THE TRADER

THE history of our railway system is one unbroken series of conflicts between the trading and agricultural community on one side and the railway companies on the other, the latter almost invariably getting the better of the former. The difficulty in dealing with the plaint of the traders is to know where to begin. One cannot pick up a report of a chamber of commerce, of an agricultural association, or any similar body without being struck by the number of complaints and the bitter feeling against the railways.

It is only fair to the railways to say that these complaints have reference much more to the high rates charged than to the service itself, although the latter is by no means satisfactory. There are two main principles of making charges for the carriage of goods. There is one in which the charge to the trader is based upon the cost of the service, which means roughly a fixed charge per ton per mile; and there is the other principle which is known colloquially as 'charging what the traffic will bear.' The fairness of the first principle is obvious, but its lack of elasticity is a great drawback; and the second system is too elastic, for it opens the door wide to grave abuses, and discrimination becomes terribly complicated and gives rise to a host of absurd anomalies. The best would be a combination of the two systems, and with this we deal in Chapter XX., entitled 'The Path of Railway Reform after Nationalisation.'

The system, if 'system' it may be called, obtaining in the United Kingdom is to charge the consignor as much as can be screwed out of him, subject to a more or less antiquated maximum rate laid down by Parliament. A slight retrospect showing the growth of this complicated system is necessary.

The earliest railway rates were simply tolls at the rate of so much per mile or so much per ton per mile for the use of the rails, the wagon and animal traction required therefor being provided by the consignor; when the company owning the railroad supplied the wagon, an extra charge was made for this service, and when the companies commenced themselves to haul goods along their lines by means of locomotives, they were authorised by Parliament to charge a 'locomotive toll' in addition to the charge made for the use of their lines. The amounts of these tolls were specified in the special Acts of each company, so that at one time each company was empowered to impose three separate charges, namely, road tolls, locomotive tolls, and conveyance tolls on every consignment, and the tolls of one company might vary considerably from those charged by another. In 1845 a Maximum Rates Clause, grouping these three charges into one, slightly less than the total of the three, was introduced. In the course of time the railway companies themselves became carriers, providing goods depots and warehouses, covering and uncovering the wagons, loading and unloading, carting, etc. The companies claimed that for these 'terminal services' they were entitled to make a separate charge over and above the maximum rates, whereas the trading community contended that these services were included in the maximum rates.

This gave rise to much litigation, and eventually the companies won; all that Parliament did was to compel the companies to distinguish their charges for conveyance, terminal services, collection and delivery, and subsequently Parliament fixed the maximum amounts that might be charged for these terminal services. As a result, therefore, any person who has paid for the conveyance of goods, may, on making application in writing to the secretary of the railway company, insist upon receiving an account distinguishing how much of the charge is for conveyance, including tolls for the use of the railway, the use of trucks, and for locomotive power, and how much for loading and unloading, collection, delivery, and other expenses, but 'without particularising the items of such last mentioned charge.'

The Acts incorporating the first railway companies contained a classification of the goods it was expected would go by rail, the list being divided into five or six groups. These lists were soon found to be totally inadequate, and the railway clearing-house, which was founded in 1847, made a classification which, at the commencement, comprised about 300 different articles, but in less than twenty years had grown to some 1300 articles. One of the numerous Royal Commissions which from time to time have had to investigate into the complaints urged against the railway companies, recommended in 1865 that this classification should take the place of the classification imposed by the special Railway Acts. Nothing was done, however, for some years, until the dissatisfaction among the trading community reached such a point that the Railway and Canal Traffic Act of 1888 was passed. By this Act

each railway company had to submit to the Board of Trade, within a period of six months, revised schedules of maximum rates, with a view to these being substituted for the rates prescribed by the special Acts incorporating each railway company, and it was further stipulated that these new rates were to include fixed maximum rates for terminal charges. In 1889 the Board of Trade appointed two special commissioners to hold an inquiry into the revised classification of schedules and maximum rates sent in by the railway companies. By the end of May no fewer than 4000 objections had been received from individual traders through commercial and agricultural associations. After a period of acute controversy, of which space permits only the barest mention, the new schedules and revised classifications were passed by Parliament and came into operation on 1st January, 1893.

The scales of charges were divided into six parts, and each rate is made up of two parts, namely, so much for conveyance, and so much for terminal charges, but the conveyance scale of one company is not the same as that of another, and as there are some 217 companies owning railways in this country, and something like 130 distinct administrations working different sections of railroad, the lack of uniformity in rates on this score alone may be imagined. In the year named, Parliament (which has generally had to compel the companies to introduce any innovations or additional services) compelled the railway companies to carry perishables by passenger trains. The general principle of the new system of calculating rates was that a certain rate was charged for each group of articles for the first 20 miles, a reduced rate for the next 30 miles, and a further reduced

rate for the next 50 miles, so that the longer the distance the less the rate per mile would work out. This is known as the 'tapering rate' system. As a result of this new classification some of the rates were lowered, but many others were increased. This gave rise to another great agitation on the part of the trading community, and some of the railway companies endeavoured to meet the complaints by stating they had not had time to revise their rates, and that they had merely temporarily substituted higher class rates for special rates which they had not had time to revise.

The traders accused the railway companies of having deliberately adopted a policy of raising their low rates to the new maximum charges, with a view to counterbalancing the decreases, and that this complaint was well founded is shown by the fact that so consistent an apologist of the railway companies as Mr E. A. Pratt, in his *History of Inland Transport* (p. 341) writes, 'the counter allegation of the traders would appear to have been not without foundation, in view of the fact that the setting of increases against decreases was defended by the companies on the ground that, being corporations based and operated on commercial principles, they were bound to see that their revenue did not suffer.' It would indeed be hard to exonerate the railway companies from this charge, seeing that the Select Committee appointed in 1893 to inquire into the further grievances of the traders, expressed the opinion that the companies had been 'actuated by their determination to recoup themselves to the fullest extent by raising the rates of articles where the maximum rates were above the actual rates.' Thus it stated that the rates which were

not *reduced* by the new maxima should have been left untouched, and that the margin between the old actual rates and the new maximum rates laid down by Parliament was not given by Parliament in order that the companies should take immediate advantage of it, but was granted only to meet certain contingencies, such as rises in prices and wages. Thus it also recommended that fresh measures should be taken to protect traders from further unreasonable raising of rates. In 1894, therefore, Parliament passed an Act restricting the powers of railway companies to increase their rates any further, and compelling a railway company, in the event of its proposing to increase any of its tolls, rates, or charges for the carriage of goods, to prove the reasonableness of such increase. In other words, the onus lay on the railway company to prove that a proposed increase was reasonable, and the mere fact that the proposed charge was within the limit of maximum rates already fixed would not be taken as sufficient justification.

Complaints had to be made first of all to the Board of Trade, and if this did not result in agreement between the trader and the railway company, the former had the right of appeal to the railway commissioners, who would hear and determine the complaint.

This somewhat uninteresting but necessary *résumé* of the course of legislation with regard to railway rates, shows that all along Parliament has had to intervene to protect the trading community from the extortions of the railway companies, whose activities as concerns organised solely for the purpose of earning profits for their proprietors would naturally be in the direction of charging the maximum for the least possible

service. To protect the traders it was ultimately found necessary to throw upon the companies the onus of proving that any proposed increase in rates was reasonable, and it should be particularly noted that in its Railway Bill introduced in 1912, wherein the Government, in accordance with the undertaking it gave the railway companies at the time of the railwaymen's strike in August, 1911, to empower them to raise rates where it could be proved that such increase was required for the purpose of paying higher wages, the Government did actually propose to transfer from the railway company to the individual trader this burden of proving the reasonableness or unreasonableness, as the case might be, of all future proposed increases.

As it is, traders complain of the great expense of bringing cases before the Railway Commission. Small wonder, therefore, that the Bill raised a storm of hostility all over the country. A Bill in modified form was subsequently forced through Parliament, and an all-round rise in goods rates has been announced. To the writer it certainly appears that this is the last throw of the railway companies, for even railway directors will find it difficult to suggest any further increases to goods rates which are already far and away the dearest in the world, as the following instances will show:—

In a debate of the House of Commons which took place on the 11th February, 1908, Mr Chiozza Money, M.P., stated that the rate for the transport of cutlery from Sheffield to Hull was 20s. per ton, whilst on the German State Railways it would be 6s. 7d. per ton. The charge for carrying hardware from Birmingham to Newcastle (207 miles) was 25s. per ton, but from Dortmund to Rotterdam (153 miles) it was 10s. per ton. He

also referred to the celebrated case of the consignment of 100 tons of potatoes which was shipped from Dundee to New York. On arriving at New York, it was found that the duty was so high that it would not be worth while landing the potatoes. They were accordingly brought back from New York to Liverpool, and the total cost of this round journey was 23s. 10d. per ton, or 4d. *less* than if the potatoes had been sent direct from Dundee to Liverpool!

In 1905 an Agricultural Commission was held, and a representative of the London Chamber of Commerce and the Central Chamber of Agriculture gave evidence to the effect that the rate on home potatoes from Harwich to London (70 miles) was 7s. 6d. per ton. The standard rate on the German State Railways for potatoes for the same distance works out at 3s. 9d. per ton, exactly half the English rate, and as it is sometimes stated by the few defenders of our railway companies that the English rates include terminal services which are not included in the rates of foreign railways, it should be noted that the English rate referred to above is for haulage only, *i.e.* does not include terminal charges.

To state that the goods rates charged by our companies are a mass of anomalies is putting the case very mildly. At the Agricultural Commission of 1905 already referred to, the Assistant Goods Manager of the Great Western Railway was asked by Lord Jersey whether it would be possible to have the ordinary traders, rates put on boards at the stations, so that farmers might see them. The reply deserves to be placed on record:—

'No, that would involve the multiplication of the hundreds of millions of rates already in operation on the British railways.'

In reply to another question the same witness said, 'You will understand that I cannot answer that, as I have not read all the thirty million rates my company have got.'

In 1911 a trader wrote to the railway company asking the rates for goods from Wokingham, near Reading, to Charlton (South Eastern Railway) goods siding, and the company quoted him 11s. 8d. per ton. He also inquired the rate from the same place to Angerstein's Wharf, Charlton, also on the South Eastern Railway, but a quarter of a mile farther on. The rate quoted was 5s. per ton.

The following are merely a few instances showing the unsatisfactory manner in which traders and producers are treated by the railway companies. Most of these examples are taken from recent reports on proceedings upon complaints made to the Board of Trade.

RATES ON BARYTES (Mineral Ore)

On Great Northern, London and North Western, Midland, North Eastern, and North Staffs. Railways.

Barytes in 8-ton truck loads.

From Waterhouses to	s.	d.	
Manchester (126 miles) ..	10	5	per ton.
Liverpool (145 miles) ..	11	3	,,
Nottingham (156 miles)	11	8	,,
Birmingham (193 miles)	14	2	,,
Derby (151 miles).. ..	18	4	,,

This complaint first came before the Board of Trade in 1908, and the fact that if consignors sent the goods 156 miles they were charged 11s. 8d. per ton, but if they sent them 151 miles five miles less) they were charged 18s. 4d. per ton, for precisely the same goods, shows to what a fine art the Railway Companies have carried

rating! Could any business unprotected by monopoly, conducted on these lines, continue?

Another complaint during the same year was that the Midland Railway charged 6s. 8d. per ton for the conveyance of stone from Rowseley to Hockley, Birmingham, which station is on the Great Western Railway system, whereas it charged 5s. 8d. per ton for conveyance to its own station at Birmingham. This is one of the instances with which traders are so familiar, where a Company does all it can to dissuade traders from making use of another Company's system. If the railways were nationalised, all this would, of course, immediately disappear, and traders would be able to suit their own convenience, without having to concern themselves with the interests of the different systems.

The following complaint is also taken from the Board of Trade publication already referred to :—

That the rate of 24s. 9d. per ton charged for the carriage of spirits of turpentine from Bristol to Warwick was unfair, compared with the corresponding rate of 16s. to Birmingham, which the Great Western Railway Company reached, it was alleged, by taking the traffic 21½ miles beyond Warwick.

The Company replied that the circumstances relating to the traffic to Warwick and Birmingham were not alike, the volume of traffic passing to the latter place being much greater than to the former; and that the rate to Birmingham was based upon the Midland Railway Company's considerably shorter route from Bristol.

A firm of millers complained that they were charged 8s. 4d. per ton, station to station, for flour and grain carried in four-ton lots from Cirencester to Birmingham (69 miles), whereas

from Gloucester it was carried to Birmingham and delivered there for 5s. 10d. per ton. They stated that if they sent the traffic to Gloucester (the rate being 3s. 6d. per ton) and re-consigned it to Birmingham, they would save 1s. per ton. The companies complained of here were the Great Western, the Midland, and the Midland and South Western Junction.

The following instance taken from the official report is interesting, as it shows the absurdity of allowing the companies, where traffic passes over two or more companies' lines, to calculate their rates as though it were a separate journey on each line (see p. 40). All this would, of course, immediately disappear the moment the lines were nationalised.

The Holwell Iron Company, Limited, complained that the rate of 9s. 2d. per ton, charged on pig-iron carried from Holwell Junction to Hawarden Bridge (124¼ miles), was unfair, compared with the rate of 7s. 6d. per ton from Frodingham (117¾ miles). The firm pointed out that although the distance from Holwell was greater, the rate per ton per mile was higher.

The Great Central Railway Company replied that the rate complained of was fair compared with that from Frodingham, having regard to the maximum rates chargeable, and any reduction would involve reductions from the whole of the Derbyshire stations from which pig-iron was sent.

The complainants thereupon pointed out that, in calculating the maximum rates from Frodingham, the Great Central Company claimed to treat their railway and the Cheshire lines as one railway, whereas in the case of Holwell the Midland and Cheshire lines were regarded as separate railways. The Great Central Railway

Company stated, however, that they were advised that this was the correct method of calculating the rates.

In forwarding this reply, the Board explained to the firm that they were not in a position to express an authoritative opinion on the legal point raised.

Speaking at the meeting of the Associated Chambers of Commerce, held in April, 1911, Mr William Cunningham said :—

'In Sheffield about two years ago the Board of Trade was approached in connection with the question of hardware that was carried between Sheffield and Continental ports. It was reported to the Chamber by one of its members that the freight upon hardware sent from Sheffield to the Continent via an East Coast Port was charged 50 per cent. more than hardware sent via the same Port from another inland town. On investigation that was found to be correct, and the Railway Company's explanation was that Sheffield being much nearer to the Port than the other place was better able to pay a higher freight in consequence of not having to pay so high a railway rate. The steamers were owned by the Railway Company. No redress had been obtained, and Sheffield hardware was paying 15s. per ton while Birmingham was only paying 10s. per ton, both going by the same boat.'

People not in trade have no idea of the intense feeling there is among traders and producers of the country against Railway Companies. Like shareholders in a Company, these sections of the community seldom have the opportunity of working together, and it is only now and again when occasion offers, as in 1912, when the Government introduced its Bill authorising the Railway Companies to increase their rates, that evidence is

given of the state of mind of these sections of the community with regard to the railways.

Reference is made on page 31 to the fact that rates are on the 'tapering rate' system, that is to say, the longer the journey the less it works out per mile. Where, however, goods have to travel over two Companies' metals, *the sliding scale starts over again on each line*, and this circumstance alone is sufficient to show the idiocy of the present system of a number of different Companies—indeed, if no other arguments existed for the unification of all the systems, this one alone would be a sufficient justification.

The bankruptcy of the present system is shown by the fact that, in spite of record traffics and record earnings, as soon as the Companies are compelled to raise the wages of some of their workers, their only remedy is to demand from Parliament the right of increasing their rates.

If there is one thing which experience shows, it is that lower rates increase traffics and eventually profits (of the Post Office, for instance), whilst higher rates diminish traffics and facilitate such competition as is possible. This is recognised by the able Railway Managers themselves, and Mr A. Kaye Butterworth, in his report to the Board of Trade on the 'Amalgamation of Railways' (1909), wrote :—

> Railway managers soon learn that high charges by no means always carry with them high dividends.

The opponents of the Railway Companies should find cause for congratulation in their present reactionary policy of increasing charges, but those who wish the community to be furnished with cheap and efficient transport, which has aptly been termed as 'the raw material of commerce,' can only deplore the blind attitude of the Companies.

CHAPTER V

THE RAILWAYS AND THE PASSENGER

EVEN after allowing for the fact that the Briton is a born grumbler, it must be admitted that his treatment at the hands of the Railway Companies has been far from satisfactory, and apart from a few favoured Trunk Line services, where there has been competition in speed and comfort, the majority of passengers have really had cause for complaint, and owe what little comfort and what few privileges they possess to forcible intervention. It should be remembered that the Railway Companies steadfastly set their face against carrying third-class passengers, and that Parliament had to compel them to do so generally. There is some excuse for diversity in goods rates, but in the matter of fares there is none, for there is not much difficulty in classifying passengers, and, as will be shown later, in practically every country where the State owns the railways there is a perfectly straightforward tariff of passenger fares. In the United Kindgom, however, our passenger fares are one mass of absurd anomalies. Take up the A B C Railway Guide and light upon any place at hazard, and it will be strange if you do not come upon something ridiculous. For example, turn up Staines on the London and South Western Railway, and you will find that a third-class single ticket to that station costs 1s. 4d. and a return ticket precisely double, viz., 2s. 8d., but the return ticket is available for *eight days only*! If we turn up Hayward's Heath on the London, Brighton, and South Coast Railway, we find that a single

journey ticket costs 3s. 1½d. and a return ticket precisely double, viz., 6s. 3d., but this is available for six months!

Let us consider a moment what this means. Why a time limit should be put upon a return ticket at all is not clear, but where the cost of the return ticket is precisely double that of the single ticket, the putting on of a restriction as to when the return half shall be used savours of opera bouffe and not of business management. For what does this amount to? The Railway Company makes no concession, but says, in effect, 'if you like to take a single ticket you can do so and you can return just as you please by any other line or another route (if there is one) taking another single ticket for the return journey and paying for it just as required. If, however, you like to pay us for the return portion of the journey in advance, we will not make you any concession, but will charge you just as much as you would have to pay for two single tickets, and as we shall have the advantage of the use of your money until you do return, not to speak of the possibility of our gaining by your losing the return half, or not returning at all, we will place restrictions upon the time when you wish to return!' This absurd principle is not limited to the third class, as on looking up Faversham one finds that a single fare second-class from London to that town is 5s. 5d., whereas a return, *available for six months only*, is 10s. 10d.

Some of the 'reductions' offered on return tickets are almost as absurd. Thus a single ticket on the London and North Western Railway from London to Accrington is 17s. 3d., whilst a return ticket costs 34s. 4d. The reduction on a journey of 217 miles, therefore, is 1d. each way,

and for this great concession the passenger has to forgo the right of a free choice of route for the return journey which he would have if he took a single each way, Accrington being served by the Great Northern Railway as well as by the London and North Western and Midland Companies. The single journey from Edinburgh to Aberdeen now costs 9s. 8d. The return journey costs 19. 2d. So that on a return ticket for the double journey of 232 miles the North British and Caledonian Companies give a saving of twopence!

Then there is the anomaly of week-end tickets, which are issued to some places and not to others. Suppose you are a Londoner and have relations or friends in Leeds whom you wish to visit during the week-end, your fare will cost you precisely £1 10s. 11d., the return fare being exactly double the single fare. I say, 'you will have to pay'; in practice you do not, for you take a week-end ticket to Harrogate which is thirteen miles farther on than Leeds but costs only 18s. 8d. for the double journey, and Leeds being an open station, *i.e.* tickets not being collected there, there is no difficulty in using the Harrogate ticket, and thus saving 12s. 8d. This is only one of thousands of similar instances, and the traveller who wishes to circumvent the Railway Companies has merely to walk into one of their numerous ticket-selling agencies and ask the clerk how he can do it.

One could understand a company saying that to encourage people to travel first class they would reduce the first-class return fares; but, as is customary in British railway management, no rhyme or reason is to be found in their policy. Why should the Midland Railway make a reduction of 1s. 11d. on the first-class return fare from

London to Grange (Lancs.), which is 268 miles, whilst for Lancaster, which is 230 miles, it grants a reduction of 4s. 6d., and for Derby and Buxton it makes no reduction at all, but charges precisely double the single fare?

Why should the passenger who travels first class 520 miles, namely to Lancaster and back, save 4s. 6d. by taking a return ticket, whilst if he travels 536 miles, namely to Grange and back, first class, he is only given a reduction of 1s. 11d.? And why charge 1s. 6d. additional (first class) for the eight miles from Lancaster to Grange, whilst only charging 1s. (first class) for the seven miles from St Pancras to Hendon? Surely it is absurd that on one part of the system a first-class journey of eight miles should cost 1s. 6d., and that on another part of the system a seven-mile, first-class journey should cost 1s.[1] It is evident to every one who uses the railways to any extent that passenger fares are fixed practically without any system at all; and if this is the case in such a simple thing as passenger fares, what must the goods rates be like? Compare the British lack of system and uniformity as regards passenger fares with those on the State-owned railway systems of the Continent.

Turn up the Continental 'Bradshaw' and you will find the following note with regard to the German railways, together with the subjoined table of fares :—

RAILWAYS.—Railway carriages in Germany are generally clean and comfortable, and the fares are less than in most other parts of the Continent. For

[1] Every one is acquainted with some of those numerous cases in which, by taking a ticket for a portion of the journey only, and paying excess fare at the termination of the journey, the total works out at less than a through ticket.

ordinary trains the fares average $1\frac{2}{5}$d. per mile first class, $\frac{9}{10}$d. second class, $\frac{3}{5}$d. third class; for express trains, 'Schnellzuge,' there is an extra charge varying from 25 pf. to 2 m.; no reduction for return tickets. Seats in through corridor trains are numbered, and may be reserved in advance at starting station without fee. Tickets are usually available for four days, with one break allowed on journey.

TABLE OF FARES ON THE GERMAN STATE RAILWAYS

Kilometer.	English Miles.	1 Cl.	2 Cl.	3 Cl.	Kilometer.	English Miles.	1 Cl.	2 Cl.	3 Cl.
		m. pf.	m. pf.	m. pf.			m. pf.	m. pf.	m. pf.
5	3	0 35	0 25	0 15	125	77¾	9 60	6 10	3 90
10	6¼	0 90	0 45	0 30	150	93¼	12 10	7 20	4 60
20	12½	1 60	1 00	0 65	200	124¼	15 60	9 40	6 20
25	15½	2 00	1 30	0 80	300	186½	23 40	14 30	9 20
30	18¾	2 50	1 50	0 95	400	248½	30 40	18 80	12 40
40	24¾	3 20	1 90	1 25	500	310⅝	38 60	23 70	15 40
50	31	3 90	2 50	1 55	600	372¾	47 40	28 20	18 40
60	37¼	4 60	2 90	1 85	700	435	54 40	33 80	21 60
70	43½	5 30	3 40	2 20	750	466	60 50	35 60	23 10
75	46½	6 10	3 60	2 40	800	497	64 00	37 80	24 60
80	49¾	6 40	3 80	2 50	900	559¼	71 00	43 20	27 60
90	56	7 10	4 30	2 80	1000	621½	78 00	47 70	30 60
100	62⅓	7 80	4 70	3 10					

The above fares include the Government Stamp (Fahrkartensteuer).

For the Express Trains (Schnellzuge) Extra Fares are charged as follows :—

Zone.	Kilometer.	English Miles.	1 & 2 Cl. M. Pf.	3 Cl. M. Pf.
I	1 to 75	¾ to 46½	0 50	0 25
II	75 to 150	46½ to 93¼	1 00	0 50
III	Above 150	Above 93¼	2 00	1 00

Bearing in mind that the mark is equal to just under 1s., it will be seen that on the German

State railways a journey of 184 miles (*e.g.* London to Manchester) which, in the United Kingdom costs, third class, 15s. 5½d., costs in Germany about 9s. 2d., or 10s. 2d. if the journey is performed by express train; and fares are the same all over the country, without being subject to the vagaries of the different companies. Or take the case of Belgium.

A third-class season ticket available over nearly 3000 miles of railway for five days costs 10s. 1d., and for a year £14 17s. 6d.

After one of my lectures a gentleman came up to me and said that he was a commercial traveller, and that when rendering his expenses for a journey to Belgium, his chief had called him in and told him that there must be some mistake. 'Look here,' he said, 'for travelling three or four days in Belgium you have charged ten shillings, which must be wrong, for you have charged 12s. 11d. for simply travelling from London to Dover and back.' The traveller pointed out, however, that it was quite correct, and that on the State Railway system of Belgium it was possible to travel for five days over nearly 3000 miles at a much lower fare than to travel the 155 miles constituting the double journey to Dover and back, and the latter moreover by slow train, for if an express train is taken the return fare second class (third class not being issued) is 25s. 4d. ! Any one who would enjoy the last thing in luxurious railway travelling, at the minimum cost, cannot do better than take a first-class five days' season ticket over the Belgium railway system at a cost of 27s. 6d. This ticket is available also over the few company-owned lines remaining in that country, and may be used in the numerous fast international trains

which run over the whole Belgian system. Nearly every express train carries a delightful saloon carriage (for which these tickets are available) termed a *Voiture-salon*, which is made up of a number of little compartments suitable for parties of from two to six, and one central saloon, beautifully decorated, and fitted with tables and movable chairs. It differs from a restaurant car in that passengers may travel in it without having any refreshments, but there is a buffet, and refreshments may be ordered at will. The writer has a fairly extensive experience of travelling throughout Europe, and knows of no pleasanter or more commodious travelling than that here described; and as already pointed out, a season ticket available in these carriages *de luxe*, over some 3000 miles, can be obtained for short periods at a price working out at 5s. 6d. per day.

Space would not permit of an enumeration of the various special tickets issued by the Belgian State Railways, and one example must suffice, namely workmen's tickets. Weekly tickets available for six return journeys of 20 kilometres (12½ miles) cost 1.50 francs, slightly under 1s. 3d.; or for 30 kilometres (18¾ miles) such a weekly ticket costs 1.75 francs (1s. 5d.); so that for less than threepence a day a workman in Belgium may travel 37½ miles a day; and here again the advantages of uniformity should be noted—it is not merely certain journeys between specially selected points which are available to the workman, but these tickets will convey him between any two points in the country, the sole measure of the cost being the distance. Cheap facilities like these go some way towards solving the housing question, for while it may be true that in some cases reduced fares simply mean increased

rents, the landlord or land-owner at once appropriating the amount saved, this is not possible when cheap transport facilities are made available over the whole of a country. Season tickets are issued by the Swiss Government railways available over the whole State system and a few other railways as well, besides being valid for journeys on the lake steamers. Such tickets are issued for periods of 15, 30, and 45 days, the rates being as follows :—

	1st Class.	2nd Class.	3rd Class.
15 Days ..	£3 8 0	£2 8 0	£1 16 0
30 „ ..	5 0 0	3 12 0	2 12 0
45 „ ..	6 12 0	4 12 0	3 8 0

Strangely enough the mileage over which these tickets are available is much the same as that of Belgium, namely, roughly about 3000 miles. Ordinary fares are also cheap.

Practice varies in the different countries as regards return fares. In Germany return tickets are not issued. In Belgium a reduction of about 20 per cent. is made on the return tickets; in Switzerland this amounts to 25 per cent.; but while practice varies in the different countries, it is uniform in each country—that is to say, in Switzerland you do not obtain a reduction in one case and have to pay double the single fare in another from the mere accident that one district is controlled by one railway company and another district by a second company; whichever part of Switzerland you are in, the same tariff obtains, just as it does in the case of letter postage, which is, after all, merely common sense.

In the matter of railway stations, the British railway companies are among the worst in the world. Anybody who has had occasion to travel much in the United Kingdom and in Germany,

Switzerland, Belgium, Italy, and Scandinavia, cannot fail to be ashamed at the inadequacy of the British company-owned stations, both as regards architectural merit and convenience, as compared with the beautiful railway stations constructed by these State railways. Even Victoria Station, the newest that London has to offer, makes a very poor show compared with such superb structures as the railway stations of Frankfort-on-Maine, Hamburg, Antwerp, Basle, and Zurich, to mention only a few. Any one who has seen the palm court in the St Pierre Station of Ghent, the pure white of the Frankfort Station with its statuary, the noble Hamburg Station with its green open spaces, all of these stations undisfigured by a single advertisement, and then returns to the grimy, ill-lighted sheds—for they are nothing else—which serve as railway stations in most of the cities of the United Kingdom, has a striking lesson with regard to the difference between company-owned and State-owned railways. In the United Kingdom passengers suffer particularly in the matter of refreshments. The price of meals on the restaurant cars is exorbitant compared with that charged on the State-owned systems of Germany, Belgium, and Switzerland, and there is very little variety in the fare; but it is in the matter of refreshment rooms that the British travelling public is worst served. In practically every large railway station on the State-owned system of the Continent there are palatial waiting-rooms and restaurants combined, where meals and light refreshments are served at moderate prices, where newspapers and illustrated journals are available for the use of travellers, and where an enforced wait is almost a pleasure, for there are few places in which one finds more

interesting sights than the waiting-room and restaurant combined of a large railway station, the constant coming and going of persons forming an ever-changing scene. I have had excellent dinners and suppers at these waiting-room restaurants in Germany, Switzerland, Belgium, Italy, Denmark, and other countries, costing between 1s. 6d. and 2s. 6d., lighter refreshments being proportionately cheap. Nor are these facilities limited to the big stations. Every railway junction in Germany, for instance, has its station restaurant, at which the catering is so good that many of the townspeople have their meals there.

In this matter we are faced with the same state of affairs as in nearly everything else in connection with the British railways; on a State-owned system there is uniformity, and what is done in one part of the country is done in another. In the United Kingdom the catering on one or two of the lines is good; the London, Chatham, and Dover (the catering arrangements of which system are now in the hands of Messrs Joseph Lyons and Co., Ltd.) is a case in point, and the London and North Western Railway, which does its own catering, is also superior to many of the others; but the lack of uniformity of which the British travelling public has to complain is not so much that of difference in quality, great as that is, but rather that on some systems facilities are afforded for refreshments whilst on others there are none. Take the case of the junctions near London. New Cross on the Brighton line and Clapham Junction (it is impossible to state on which particular line this dreadful station is situated) each has its refreshment rooms, but Finsbury Park, the one great London junction of the

Great Northern Railway, has no refreshment room at all. There is no need to give any more examples. Under a State system such a discrepancy is unthinkable. If the convenience of passengers calls for a refreshment room on the junctions of the comparatively unimportant London, Brighton, and South Coast Railway, surely passengers on the much more important Great Northern Railway should have the same comfort.

The following is a comparison of the third-class fares charged for typical journeys on the railways of the United Kingdom and some of the State-owned lines of the Continent:—

	12 Miles. London to Surbiton.				184 miles. London to Manchester.				402 Miles. London to Glasgow.			
	Single.		Return.		Single.		Return.		Single.		Return.	
	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.
United Kingdom	1	0	1	8	15	5½	30	11	33	0	62	11
Belgium	0	7½	0	11½	9	0	14	2	19	6	31	4
Switzerland	0	9¾	1	0	12	2	15	3	26	8	33	5
Germany	0	7	1	2	10	0*	20	0*	22	3*	44	6*
Denmark	0	6½	1	1¼	7	2	14	4	11	8	23	4

* Express.

Of the many anomalies and absurdities which exist on our railway system, the case of restaurant cars may be cited. The writer travelled recently from Manchester to London by one of the Midland morning expresses. He took a third-class single ticket, costing 15s. 5½d. A first-class ticket would have cost 24s. 6d. The writer immediately entered the restaurant car, in which he remained during the whole journey to town, paying 2s. 6d. for his breakfast. This restaurant car was, if anything,

more comfortable and better upholstered than the first-class carriages; and it had to serve both first-class and third-class passengers. Now, if a traveller were contemplating travelling first class, it would pay him to take a third-class ticket, to enter the breakfast car, order a breakfast (throwing it out of the window if he did not want it), with the result that he would travel in the same car as the first-class passengers having meals—a car more comfortable than the ordinary first-class—and costing him 6s. less than the first-class fare, as is shown by the following table :—

	£	s.	d.		£	s.	d.
First-class fare, Manchester to London	1	4	6	Third-class fare, Manchester to London	0	15	5½
				Breakfast	0	2	6
				Gratuity, say	0	0	6
	£1	4	6		£0	18	5½

In practice, of course, very few people paying full fares travel first class; the British Railway Companies waste hundreds of thousands of pounds every year by carrying all these first-class coaches, for the greater part empty, and which, when occupied at all, are generally used by persons like directors and officials who hold free passes, and persons holding privilege tickets. The reader has merely to look at any passing train to see for himself what a dreadful waste the running of all these first-class coaches is; he cannot fail to observe how few people there are in them, and how common a thing it is to see a whole first-class coach without a single passenger. The writer has travelled from London to Scotland and counted only five first-class passengers in the whole train; of these it is doubtful if one had

paid the full ordinary fare. And these long strings of empty carriages are just the heaviest and best lighted! Obviously, if all this waste goes on, the public has to be fleeced somewhere or other in order to earn dividends on the railway capital; this waste is obvious, because it is a thing which can be checked by the most casual observer; how must it be in connection with the goods traffic and all the other departments of a railway which are not visible to the eye of the outsider?

Another cause for complaint on the part of the general public is the manner in which the ordinary traffic is dislocated on the occasion of races. On these occasions everything is subordinated to the race traffic, and season ticket holders and other regular passengers are delayed and put to great inconvenience; numerous trains are taken off, and every attention is paid to the occasional race-goer who travels on the line perhaps twice in the year, whilst the regular daily traveller and residential community are neglected and irritated, a practice quite contrary to the spirit of all well conducted businesses.

A typical measure which irritates people exceedingly, who are accustomed to the reasonable treatment meted out to them on the State-owned Railways on the Continent, is the matter of cloak-room charges.

On most of the railway systems in this country, not only is the charge excessive, namely 2d. per package for any portion of twenty-four hours, but one is called upon to pay the fee in advance, although at the time of lodging the package the final charge cannot be determined, because the length of time the article is to remain deposited is not fixed. Compare this with the cloak-room fees on a State-owned Railway, which is invariably

1d. (or the nearest equivalent) for *two* articles, for twenty-four hours, payment, of course, not being demanded until the articles deposited are removed.

CHAPTER VI

THE RAILWAYS AND THE WORKERS

In looking through the numerous books which are published from time to time in both the United Kingdom and the United States dealing with railways, it is strange, and indeed significant, how little space, if any, is devoted to the conditions of the workers employed on the railways. Even in books dealing with railway working and methods in different countries, one finds no attempt made to compare the conditions of labour on the railway system of one country with those obtaining in another. In that standard work on British railway organisation, entitled *Railway Management*, by the late Sir George Findlay, at one time manager of the London and North Western Railway, out of 350 pages 11 are devoted to consideration of the workers, and most of these are taken up with a description of the benefits conferred upon the workers by the various friendly and provident societies to which they were compelled to contribute.

When we bear in mind that in the United Kingdom no less than 609,000 men—or something like one out of every twelve adult males—are employed on the railways, the scanty attention paid to the subject is significant. In fact, it is this attitude of regarding labour simply as a raw material, a commodity to be bought or

sold, that is responsible for the great upheaval among the labouring classes which we are now witnessing, and which can only find its conclusion in a complete change in the status of the worker. Nowhere is this more likely to be the case than with the railway workers, and this alone is one of the most powerful forces making for the national ownership and operation of the railway system, for if there is one respect in which, more than another, railway directorates have acted unwisely, it is in their attitude towards the great body of men who, like the directors themselves, are nominally the servants of the shareholders.

The Board of Trade publishes annually statistics showing the average wage received by groups of industries, and the table on pages 56 and 57 shows the average wage received by railwaymen in the United Kingdom at different periods during the last twelve years.

The twenty-seven Companies included in this table employ over 90 per cent. of the total number of railway servants.

It will be seen that in 1911 the average wage of the railway workers was returned as 26s. 8¼d. On the one side it has to be borne in mind that these figures include the wages of some 16,000 boys and a certain number of porters who receive tips; on the other side it has to be remembered that this average includes a small number of highly paid mechanics and engine-drivers.

In 1908 the Amalgamated Society of Railway Servants took a census of the hours and rates of pay for 259,280 railway servants, 221,690 in England and Wales, 28,690 in Scotland, and 8900 in Ireland. No such census had ever before been published in this country, and the results

WEEKLY EARNINGS OF

Compiled from the Annual Reports of the Board

Year.	England and Wales (15 Companies).		Scotland (5 Companies.)	
	Number Employed.	Average Wages per Head.	Number Employed.	Average Wages per Head.
		s. d.		s. d.
1900	379,750	25 7	42,461	22 11
1901	378,121	25 6¼	43,710	23 1½
1902	383,883	25 5¼	45,240	23 1¼
1903	384,465	25 4½	44,922	22 11½
1904	380,610	25 7	45,216	23 1¼
1905	384,321	25 10¼	45,399	23 3¾
1906	391,661	25 11½	46,407	23 4¼
1907	412,804	26 4¾	46,416	23 5½
1908	395,271	25 6¼	44,809	22 8½
1909	394,928	25 10½	45,147	23 3¾
1910	397,715	26 3½	46,105	23 3
1911		*Only the figures in the last column*		

are most valuable. Speaking generally, the largest group of railway workers in England and Wales received from 23s. to 25s. per week, the largest group in Scotland 19s. to 20s., and the largest in Ireland 12s. to 15s. Divided into three groups according to wage, the railway servants included in the census are paid as follows :—

Groups.	Numbers.	Percentage.
20s. and under ..	100,930	38·8
21s. to 30s.	128,810	49·8
31s. and over ..	29,540	11·4

According to this census, just one-half of the railway employees earn between 20s. and 30s., and little more than one-tenth receive more than 30s. a week. Another fact which emerges from these figures is that the statement, frequently

RAILWAY SERVANTS.

of Trade on Changes in Wages and Hours.

Ireland (7 Companies).		United Kingdom (27 Companies).		Year.
Number Employed.	Average Wages per Head.	Number Employed.	Average Wages per Head.	
	s. d.		s. d.	
18,136	19 5¾	440,347	25 0¾	1900
18,726	19 5	440,557	25 0¼	1901
19,306	19 3½	448,429	24 11¼	1902
18,934	19 5	448,321	24 10½	1903
19,751	19 1½	445,577	25 0½	1904
19,531	19 2¾	449,251	25 3½	1905
19,874	19 9½	457,942	25 5½	1906
19,470	19 8½	478,690	25 10	1907
19,040	19 8½	459,120	25 0	1908
19,369	19 11	459,444	25 4½	1909
19,199	20 7	463,019	25 9	1910
are available for this year.			26 8¼	1911

denied, that there were over 100,000 people employed on the railways of the United Kingdom whose wage did not exceed £1 a week is perfectly true. During the 1911 strike it was not at all uncommon to hear people allege, in reply to the statement that the railwaymen received inadequate wages, that these were largely increased by tips. It would doubtless interest such people to know that out of the 608,750 men employed on the railways on 31st December, 1910, the passenger porters, men and boys, numbered exactly 29,658, and the passenger train guards, 8239, leaving a trifle of some 570,853 platelayers, engine-cleaners, firemen, goods guards, labourers, signalmen, and yardsmen, whose wages are not enhanced by tips. I should have liked to

publish a table showing the main conditions of employment on those railways upon which settlements have been arrived at *since* the 1911 strike and Conciliation Scheme, but space does not permit of this. Let it suffice here to take the case of an engine-cleaner on the Great Western Railway. Starting at the age of 16 he receives 2s. 2d. per day, at 17 2s. 4d., and at 18 2s. 6d. per day. He works ten hours per day, and his chance of being killed or injured is one in eleven, for in 1911, out of 18,179 engine-cleaners employed on the British railways, 14 were killed and 1664 were injured. Supposing therefore that he works seven days a week, ten hours a day, he receives the princely sum of 17s. 6d. per week. Overtime is paid for at the ordinary rate, *i.e.* 3d. per hour. Perhaps the reader will consider for a few moments what this life means—ten hours a day, not counting the time occupied going to and from work, for a wage of 17s. 6d. a week, that being proportionately diminished if he ever gets a Sunday or other day's rest, and he gets no holiday. And this after the adoption of the Conciliation Scheme, to obtain which it was necessary for a general strike to be declared on the railways. But, it may be said, this leads to something better. Well, let us see. After some three or four years on the pleasant work of the scrubbing and rubbing of footplates, wheels, and machinery, he may be promoted to the post of fireman. Here his nominal working hours are the same, namely ten per day, and he commences with 3s. 6d. per day, rising gradually to 5s., and, taking the average length of service of firemen, and the number of accidents that occur per annum, it is just about a one to one chance on the worker passing through that grade without

being killed or injured. And let us consider the prize of the profession, the post of engine-driver, the man who is the hero of every schoolboy, and on whose nerve in a certain moment our lives—including your own precious life, dear reader—may depend. It is surprising how many people still are under the impression that an engine-driver receives something like £4 a week. On the Great Western Railway, which we have taken as being typical of the great railway companies, the minimum pay for a ten-hour day is 5s. 6d. and the maximum 8s. If, therefore, he is fortunate enough to work a six day week, a man belonging to the highest grade of railway work receives between 33s. and 48s. per week. And to achieve this giddy eminence he may have had to wait anything between eight and thirty years after becoming a fireman. It is stated that engine-drivers and firemen are worn out after ten years' work, and are rarely able to continue in the service after twenty years, for the long periods of standing on the footplate, with the constant vibration of the locomotive, causes an affection of the spinal cord which brings severe pains in the lower limbs. Some companies have preferred to pay their drivers on the trip system, which is equivalent to piecework. By this method a scale of payment is set out on a mileage basis, and the amount paid has nothing to do with the time occupied on the journey, so that in the event of fog or congested traffic the driver may have to work many additional hours without receiving extra pay. The strain of driving a train in stormy weather, or worst of all, in fog, may be imagined; and the average pay received for this responsible work is 40s. per week.

Every reader of this book is well aware of the

fact that during the last ten years or so there has been a marked increase in the cost of living. As is shown by the table given at pages 56-57, the average rate of wages paid by the twenty-seven Companies whose figures are taken as the basis of the statistics have increased merely by 1s. 7½d. since 1900, the average rate for 1911 being given as 26s. 8¼d., as against 25s. 0¾d. in 1900 and 25s. 10d. in 1907. During that period the profits of the Railway Companies of the United Kingdom have risen from £40,058,338 to £48,581,746, and the return per cent. paid on the total debenture and share capital of the railways (after excluding the watered capital as stated by the Government returns) increased from £3 17s. 6d. per cent. (plus allowance for watered capital) to £4 4s. 5d. per cent. in 1911.

There is no space here to enter into a detailed history of the relations between the railway directorates and their workers. As every one knows, the railway directors, practically alone among all great industries, have all along refused to admit the right on the part of their workers to combine into trade unions for the purpose of bettering their conditions of employment. Not only this, but by a series of victimisations, often leading up to wholesale dismissals of men who had been in their employment for twenty or thirty years, and were at an age when they could not hope to get work elsewhere, the managements of the British railways have worked up a body of men, probably more stolid and less revolutionary in character than any other body of work-people in the whole kingdom, to a pitch of exasperation that at last found expression in the 'All Grades' movement of 1906 and in the strike of 1911. As an example of the way in which

some of the Companies have goaded their men into sheer desperation, the case of the Barry railway dispute may be cited. In 1910 the persecutions of those men who were known to be members of the Amalgamated Society of Railway Servants reached such a stage that not a week passed without some of them being dismissed, suspended, or reduced, and eventually the men decided to strike in order to obtain justice. The executive of the Union visited Barry, and resolved unanimously to support the men. Within three hours of the resolution to cease work being carried, no less than 96 *out of every* 100 of the workers in every grade employed by the Barry Railway Company signed notice papers. It may be mentioned that the result of the Company's action was that the members of the Amalgamated Society of Railway Servants were restored to their former positions and obtained their back wages.

This book could be filled with instances of cases of victimisation and pettiness in connection with the men's societies. It is no uncommon thing for the president or secretary at the annual conference of the Amalgamated Society of Railway Servants to have to read a letter from a delegate stating that two or three applications for leave of absence had been made for the purpose of attending the conference, but that such requests had been refused. Reference has already been made to the very low wages received generally by railway servants. The following notice posted a year or two ago on the Great Eastern Railway system is an admirable illustration of the tact with which the railway directors have treated their workpeople :—

Reduction of Railway Workers' Wages.

Notice to all Men Employed in the Telegraph Section of the Electrical Engineer's Department engaged in construction or maintenance of the telegraphs, telephones, or blockworking.

The staff are aware that for many years the conditions of their service have steadily improved, although for some time past the traffic has been depressed, and expenses have greatly increased, and the directors are much surprised that at a time like the present, with a constantly falling revenue, a section of the men should continue to urge the extravagant demands which were submitted by them on the 18th May last.

As already explained, it is impossible to accede to these demands; on the contrary, I am instructed, in view of the Company's present financial condition, to revise the conditions of service in my Department, and I hereby give notice that the following alterations will come into force on January 1 next :—

Linemen to be reduced 2s. per week for all men having over 34s. per week, exclusive of expenses, 1s. for all men below.

Assistant linemen to be reduced 1s. per week.

Foremen to be reduced 4d. per day.

Wiremen to be reduced 3d. per day.

Labourers to be reduced 2d. per day.

Rail contact men and battery men to be reduced 1s. per week

Carpenters, smiths, fitters, etc., to be reduced 1s. per week.

The arrangement of allowing pay for holidays will be discontinued.

(Sig.) H. W. Frith,
Electrical Engineer.

Small wonder then that at the annual conference of the Amalgamated Society of Railway Servants held at Belfast, in October, 1912, the president was able proudly to point out that the

membership of his society had risen from 75,143 members in 1910 to over 120,000 in 1912, and that a few months later the National Union of Railwaymen could boast a membership of about 200,000.

Not merely has the rate of wages remained almost stationary on the British railway system for a decade or more during a period of rising prices and rising profits, but the work of the railway worker has become more arduous. The policy of speeding up has been adopted, and the striking fact has to be noted that at the end of 1910 the total number of railway servants was 608,750, as compared with 621,341 in 1907. In other words the railways are now being worked by some twelve or thirteen thousand men fewer than were employed four or five years ago, whilst the net profits of the railway companies during the same period have risen over £5,000,000. This fact has been recognised by a journal so little biassed in favour of the men as *The Statist*, which in its issue of 25th May, 1912, wrote :—

> The conditions of service on the railways of this country have been substantially and profoundly modified. Until 1900 wage earners were content to accept a relatively low rate of wage, in the expectation that promotion would be fairly rapid and that after a given number of years a man of good character might safely expect to secure a rate of wage which would enable him to live in reasonable comfort. Now no one can discover how soon he will be promoted to higher grades or for how long he will receive a low rate of wage. It will be realised that the new conditions are very much to the public advantage. . . . At the same time it is evident that the railway men are not likely to be contented with the old

conditions of service, with the new methods of operation, and with the present slow rate of promotion. If promotion is slower they will necessarily require higher rates of wages in the lower posts in order to maintain themselves and their families in a reasonable degree of comfort. Therefore one of the problems to be solved is, How can the Railway Companies satisfy the reasonable demands of their employees having regard to the new conditions? The answer would appear to be a simple one to the observer not acquainted with the whole conditions of the railway industry. Doubtless, he will say that the Railway Companies should share the additional profits they are making from the new methods of working with their operatives, and thus make it to the advantage of their men to introduce the new methods and to work more skilfully. But unfortunately the matter is not so simple as it seems.

And then follows the usual attempt to show that although as a result of these economies the shareholders are getting more, that is not of itself a reason why the workers should receive more.

In every country which has nationalised its railway system, State-ownership and operation have inevitably resulted in increased wages for the workers, a reduction in hours, and a general improvement in conditions. This is, in the minds of some people, the principal argument against nationalisation; but the only alternative suggested to cope with the demands of the workers for better conditions has thus far been a demand for power to increase charges.

CHAPTER VII

THE RAILWAYS AND THE INVESTOR

We have seen that the trading community is exceedingly dissatisfied with the Railway Companies, and that the workers have been brought to the point of revolt. If, therefore, both customers and employees complain, in the one case of excessive charges, and in the other of excessive working hours and inadequate remuneration, and at the same time receipts continue to expand marvellously, one would at least think that the shareholders would benefit.

The investor has a simple means of determining whether or not his holding is satisfactory.

First he measures the success and quality of the management of his company by the dividends he receives, and, second, by the rise or fall in the price of his stocks, having regard to general conditions.

The tables on pp. 66-67 contain instructive information on this point. The first shows the dividends paid on various ordinary stocks, and the second the mean prices of certain stocks, *i.e.* the mean between the highest and lowest prices touched during the year, for the years 1902 to 1911.

It will be seen that while dividends have, in the main, increased, the fall in price has been something startling, and many a poor widow and many an orphan have been half ruined by the loss of from one-fourth to one-third of their entire capital.

It may be thought that the fall in prices is due to the general rise in the value of money, and that the fall in British railway securities has merely kept company with the drop in other securities.

COMPANY.	DIVIDENDS PAID ON ORDINARY OR DEFERRED ORDINARY STOCKS FOR THE YEARS									
	1902.	1903.	1904.	1905.	1906.	1907.	1908.	1909.	1910.	1911.
Barry Railway	8¼	9	9½	8	9½	8	6¾	6¼	7	6½
Caledonian Railway	4	3⅞	3⅞	4	3⅝	3¼	3	3	3⅛	3⅜
Great Eastern Railway ..	3⅛	3¼	3¼	3¼	3⅜	2¾	2⅜	2⅝	3⅛	3⅛
London and North Western Railway	6	5⅞	5¾	6⅛	6	6⅜	5¾	5⅞	6⅝	6⅞
London and South Western Railway Deferred	2	2	2	2	1¾	1⅞	1½	1¾	2⅛	2
London, Brighton, and South Coast Railway Deferred Ord.	4¾	4½	5¼	5¼	5	3½	3½	4	4¾	5½
Midland Railway Deferred Ord.	2¾	2¾	2½	2⅝	2¾	2⅞	2¼	2⅝	3½	3⅞
North Eastern Railway ..	5⅜	5½	5⅜	5½	6⅛	6¼	5¼	6	6	6¼
South Eastern Railway ..	2	2½	2¼	2½	2¾	2½	2½	2¾	3½	4

RAILWAY SECURITIES.

STOCK.	MEAN PRICE BETWEEN HIGHEST AND LOWEST TOUCHED DURING THE YEARS										FALL OR RISE PER £100 NOM. OF STOCK IN 9 YEARS.
	1902.	1903.	1904.	1905.	1906.	1907.	1908.	1909.	1910.	1911.	
Barry Railway Ordinary	191½	187½	197½	202¾	198	188¼	168⅛	158	156½	150	–£41 10 0
Caledonian Railway Ordinary	120¼	110	104¾	115½	110⅝	93⅝	91⅝	87	86	85¾	– 34 10 0
Great Eastern Railway Ordinary	99⅝	91 1/16	88¾	87 5/32	85 5/16	72 1/16	69 1/32	60 0/16	64⅜	71⅛	– 28 10 0
London and No. Western Railway Ordinary ..	167⅝	157⅝	150⅞	154 7/16	155½	142 3/16	139 1/16	133⅝	133 1/16	141⅛	– 26 10 0
London and So. Western Railway Def. Ord. ..	65 0/16	58½	52 5/16	56⅝	50 1/16	46½	44⅝	41 1/16	44½	49 5/16	– 16 5 0
London, Brighton and South Coast Railway Deferred Ordinary ..	131⅞	119⅜	116 1/16	123⅞	121 1/16	94⅝	80 1/16	86 1/16	91 5/16	102⅜	– 29 7 6
Midland Railway Deferred Ordinary	68⅞	68 7/32	65⅜	68¼	68⅝	60 1/16	59 7/16	56⅜	61¼	73⅛	+ 4 5 0
North Eastern Railway Consols	150½	143⅛	138⅜	140 5/16	140 1/16	138 7/16	138 1/16	127½	131 3/16	130⅜	– 20 2 6
South Eastern Railway Preferred Ordinary ..	126¼	125½	126	128⅞	126	114½	100⅛	104¼	112½	120¼	– 6 0 0

This is not, however, the case, for if we compare the fixed-interest bearing stocks of the railways, such as preference shares, which never receive more than their fixed dividend, with similar securities of industrial companies under efficient management, a startling difference will be noticed. In the following tables the changes in price of five of the best-known railway preference stocks are compared with the changes that have taken place during the same period in the preference shares of five of the best-known industrial companies. It is true that the industrial stocks give a higher yield, but this does not account for their having *risen* appreciably during the same period that the railway stocks of the same class have *fallen* so enormously.

RAILWAY SECURITIES

STOCK.	Mean Price between highest and lowest touched during the years		Rise or Fall per £100.
	1902.	1911.	
Caledonian Railway 4 per cent. Preference Stock (No. 1)	126¼	104⅜	–£21 17 6
London and North Western Railway 4 per cent. Consolidated Pref. Stock	129½	107 7/16	– 22 1 3
London and South Western Railway 4 per cent. Consolidated Pref. Stock	128⅛	106⅛	– 22 0 0
Midland Railway 2½ per c. Consolidated Perp. Pref. Stock	79½	67⅛	– 12 12 6
North Eastern Railway 4 per c. Preference Stock	127⅞	106 3/16	– 21 13 9

INDUSTRIAL SECURITIES

STOCK.	Mean Price between highest and lowest touched during the years						Rise or Fall per £100.		
	1902.			1911.					
Amalgamated Press 5 per cent. Preference Shares	£1	1	3	£1	1	9	+£2	10	0
Bovril 5½ per cent. Preference Shares	1	0	0	1	1	7½	+ 0	2	6
Bryant and May 14 per cent. Preference Shares (£5)	12	15	7½	13	0	0	+ 4	7	6
Schweppes 5 per c. Preference Shares	0	18	1½	1	0	0	+ 9	7	6
Bradford Dyers' Association 5 per cent. Preference Shares	1	0	7½	1	1	0¾	+ 2	3	9

One of the principal reasons for this steady decline in the price of railway shares is that, unlike every other business undertaking which is properly administered, the Railway Companies pay off none of their debentures, put back practically none of their profits into the business in the shape of improvements or extensions, but immediately divide among their stockholders year after year every farthing that has been earned, with the result that their capital account is continually increasing. Far from having any resources, the Railway Companies really owe their work-people millions of money in the shape of the benefit and pension funds of the men's societies, which, instead of being invested separately, are used by the Companies, over and above which they usually have large overdrafts with their bankers. Take the case of the London,

Brighton, and South Coast Railway Company. In a leading article dealing with the outlook for this Company which appeared in the *Financial Times* of 4th November, 1912, the following appears (the italics are mine) :—

> By the aid of the electric services the Company has been able to recover a good deal of the traffic formerly lost to the tramways. It is extending the electrified portion of its line as rapidly as financial circumstances will permit. It is obvious, however, that *the difficulty of raising the large amount of capital needed, on reasonable terms*, is seriously hampering the policy of the Company in this respect. The Brighton Railway has generally been very unfortunate in its new issues of capital, and the £800,000 issued in the first half of this year was no exception to the rule. Of that amount, £550,000 was issued in the form of Five Per Cent. Second Preference stock, and allotted at what was then the favourable price of 120. The balance of £250,000 was issued in the form of Ordinary stock at 110, and as an investment has not proved so attractive; indeed, it is already at a considerable discount.

Why should the London, Brighton, and South Coast Railway Company have any difficulty in raising capital on reasonable terms? We are dealing here not with a Company which has been in low water, but one which, during the past ten years has paid annual dividends on its deferred ordinary averaging 4·6 per cent. Most people consider a Company which is paying 5½ per cent. (the rate for 1911) on its deferred ordinary stock to be successful, and yet here we have the admission on the part of a friendly financial newspaper that it is difficult for this Company to raise further capital. If this is so, what extraordinary management it must be which, while needing large amounts

of fresh capital which it is unable to raise, goes on dividing profits up to the hilt. Compare a company like this with companies managed by people who know their business, such as the five industrial companies included in the foregoing table, and others like A. & F. Pears, Ltd.; J. & P. Coats, Ltd.; J. Lyons & Co., Ltd.

The attitude of railway directors towards the shareholders is excellently illustrated by the agitation which took place in 1909 in regard to the South Eastern Railway. The position of this railway became such that an influential body of shareholders decided to make a desperate effort to endeavour to introduce both youth and ability to the Board, and, pointing out that there was not a single railway expert upon either the South Eastern or the London, Chatham, and Dover Boards, they suggested that two or more experts of the highest capacity should be elected to the Board. These shareholders formed a committee, and that it was not the work of a few unimportant people will be seen when it is stated that it included such notable people as Sir John Barker (chairman of the well-known Kensington house), Sir George Barham, J.P.; Mr T. J. Barrett (managing director of A. & F. Pears, Ltd.), Lord Brassey, Mr J. C. J. Drucker, Mr A. A. Haworth, M.P.; Sir William H. Holland, Bart., M.P.; Alderman Sir W. Vaughan Morgan, Bart.; Mr Walter Morrison (late chairman of the Central Argentine Railway), the late Sir R. W. Perks, and Lord Weardale.

It is always advisable, where possible, to let facts and cases speak for themselves, and the following extracts from circulars issued by this Committee will well repay perusal, as they throw a bright light upon the brilliant management of

an important English Railway Company, and on the manner in which the directors deal with so important a body of shareholders.

Extract from circular issued in the first instance by Mr J. C. J. Drucker in February, 1909 :—

The directors of the South Eastern Railway, as the result of communications with some of the principal shareholders, agreed to receive a private deputation to discuss the situation, and received the deputation on December 17, 1908. On behalf of the deputation it was expressly disclaimed that any member of it was seeking a seat on the Board, and the following paragraph states in general terms the principal object of the representations made to the Board :—

Dissatisfaction was expressed with the composition of the existing Board. It was pointed out that there was not a single railway expert upon either of the Boards of the joint companies.

The desirability was also suggested of adding to the Board and Joint Board two or more experts of the highest capacity, and that this should be admitted freely as a principle to be carried out as early as possible :—That the deputation would then be prepared to submit the names of some experts of unquestionable qualifications. That, if these names are unacceptable, the principle should be still operative, and other names should be sought.

The circular then goes on to state that, this suggestion not having been accepted by the Board, it was intended to raise the matter at the next annual meeting, when the following resolution would be submitted as an amendment :—

That in view of the ruinous decline in the value of their property, which is without parallel in the record of leading British railways in recent years, and of the fact that more than £5,500,000 of new capital has

been spent by the managing committee since it came into existence, not only with no benefit in revenue to the proprietors, but with absolute loss to the Ordinary stockholders, the report and accounts be not adopted, but referred to a special committee of shareholders to be nominated by the present meeting, with full power to call for all necessary papers and information, and whose business it shall be to investigate the accounts and system of management, with the help, if need be, of expert advice, with a view to reporting the results to the proprietors at an adjourned meeting, which the said special committee shall have power to summon.

As will be seen from the circular next printed, the response to this circular, which was issued only a few days before the meeting, was 969 proxies, and the following circular, issued this time by a number of influential shareholders, whose names are attached, was sent to shareholders on 17th March, 1909 :—

LONDON, *March* 17, 1909.

As the Official Report of the proceedings at the recent meeting of the South Eastern shareholders omits matter to which we attach importance, your attention is invited to the shorthand writer's report enclosed herewith.

The unsolicited offers of support received by Mr Drucker from shareholders after the General Meeting of July last—many of them gentlemen of high standing in the commercial world—led Mr Drucker to invite some of these gentlemen to meet, in order to decide whether the movement initiated by him should be continued, and, if so, to place it on a footing sufficiently representative to reassure those shareholders who, whilst dissatisfied with the Board, were unacquainted with Mr Drucker; and, at the same time, to guarantee the material interests

of the Company in any and every contingency that might result.

When these gentlemen met, it was manifest that there was an unhesitating consensus of opinion that the members who now form the Boards of the South Eastern and Chatham Railways and of the joint Managing Committee, though men of undisputed integrity, are either too advanced in years to be capable of serious effort, or not qualified by training and experience to sufficiently guarantee that the undertaking is conducted in a way to secure for the shareholders the maximum benefits obtainable.

Being well aware that the reconstruction of a Board is extremely difficult, and having no desire to needlessly disturb the course of the Company's business, it was felt that our case might be met if we could secure at once the admission to the Board of the important element at present wanting, in the shape of two or more well qualified men, and let further changes in the personnel of the Board be dealt with as, and when, vacancies occur.

It was believed that this very moderate proposal might have commended itself to the Board, and as a first step the South Eastern Board was asked to receive a deputation, with the understanding that the meeting should be private, and thus leave each side in a position to express its views freely. The Board listened to our case, which was stated by Mr Gilligan and supported by other members of the deputation, and asked for the names of the candidates. This information the deputation was not prepared to give definitely at the moment, inasmuch as the immediate object of the interview was to gain assent to the principle in advance of the General Meeting, then close at hand, and leave the selection of the men to be determined when such principle had been conceded.

The Directors, whilst maintaining that the Board comprises all that is necessary to carry out its duties

efficiently, were understood to be willing to consider the proposal, and the deputation pressed for an early reply to allow them time to shape their own course in connection with the General Meeting.

There is no doubt in the minds of the deputation that the Board undertook to reply without further communication from the deputation.

The Board have misstated our proposal as intended to give to 'two specially remunerated experts unfettered power to dictate its policy and to control both the other Directors and the undertaking.' This is not our proposal. We simply wish the Board, as a Board, to be strengthened by an element which ought to be there and is not.

In what useful way can a Board composed of gentlemen, some of very advanced age, and others who are pure amateurs, superintend the work of the permanent officials, shape and guide the policy of the Company, safeguard its interests, and secure for the Shareholders the profits it ought to yield?

The responses to Mr Drucker's circular issued a few days before the meeting gave 969 proxies, whilst an urgent appeal issued by the Chairman of the Company secured 2221 for the Board. The total number of shareholders being approximately 13,770, leaves a balance of over 10,000 who abstained from voting.

The first practical test of the feeling existing in the great body of shareholders, the support given to Mr Drucker, and the marked abstention from voting in favour of the Board, are a manifest justification of Mr Drucker's action. That gentleman, and the supporters with whom he is in more immediate touch, now agree that Mr Drucker's personal propaganda should give place to a movement on a broader basis. This, it is believed, will secure the support of those shareholders who wish to have the Board reconstructed, and who have not seen their way to support an agitation promoted by one individual.

The shareholders whose names appear at foot have

agreed to act as a Committee, with power to add to their number, to form a basis for carrying into execution the objects of those who desire reform. Please note that none of these are seeking a place on the Board.

It appears to us that the declarations of the Chairman with respect to business the Company has failed to retain or develop, and the difficulties it has failed to overcome, can only be taken as a confession of incompetency; whilst all hope of improvement in the future appears at an end when the Chairman, in closing his speech, said : '*If you continue your confidence in us, we will do exactly as we have done in the past. We will listen to the suggestions of any shareholder or any body of shareholders, and we will do our best for your undertaking.*'

It should be remembered how often the Board has blamed the Act of Parliament, authorising the union, as responsible for unfavourable results. The degree of confidence that can be given to this Board may, therefore, be gauged by the measures taken to safeguard the interests of the Company before the provisions of the Act were definitely fixed. In this connection, the Chairman (Mr Bonsor) made the following statement at the General Meeting of August 1, 1899:— '*But your Board, in conjunction with our colleagues, made up our minds as to what concessions we would give in that Bill, and we stuck to those concessions ; nothing was wrung from us in any way whatever by people who called on us, or in its progress through Parliament.*'

It is clear, therefore, that, however damaging the Act may have proved to the South Eastern, its provisions were approved and accepted by the Board, and its ruinous consequences, as advanced by them, can only be ascribed to their own want of foresight.

The failure of the present Directors to administer our property successfully stands thus self-confessed. They declare that competition and disadvantages, which every large commercial enterprise has to face

in one form or another, are irremediable, and insist that the proprietors must accept the position.

We take our stand on the fact that a large and complicated commercial undertaking can only be made to produce the best results when under competent and energetic control, and that to rely on the Manager is not sufficient, otherwise there would be no need for, and therefore no object in appointing and maintaining a Board of Directors.

A Board of Directors being essential, it follows that its members must be competent, by their experience and capacity for real work, to effectively superintend the business of the undertaking—financial, administrative, and technical—and direct its policy.

We maintain that the present Board does not satisfy these indispensable requirements. Our object is simply to get this deficiency remedied, and we have proposed a working basis upon which dissatisfied and unorganised shareholders may take action.

It seems to us that the attitude and statements of the Chairman at the meeting go far to justify the impression that he defended a Board which believes that the shareholders have no real ground for complaint, and which is inspired by the conviction that, without its own consent, it is a Board that cannot be mended.

We on our part believe that the Board, as now composed, is inefficient, and that the shareholders, being the owners of the property, have the right to reconstruct their Board of Directors when they are satisfied that the best interests of the Company demand it.

You will doubtless have seen the announcement that the Board of the South Eastern Railway has nominated Sir Frederick Harrison to succeed the late Lord Burton as a Director and Deputy-Chairman of the Company.

While we regard this as an instalment of the reforms which are now being pressed upon the Board and fully recognise the value of the expert knowledge and

experience of Sir Frederick Harrison, gained during his 45 years' service with the London and North Western Railway Company, we cannot overlook the fact of his advancing years and of the necessity which the present position of the Company reveals for the introduction on the Board of men possessing not only expert knowledge but the capacity for hard work, without which it would be impossible to thoroughly revise the position and methods of the South Eastern and Chatham Railways and to bring about the reforms which are so much needed.

For this reason we feel that the movement which has been initiated by Mr Drucker should not be allowed to stop, as a result of the partial concession now made, but should be continued on the lines indicated, unless the Board consent to the appointment of comparatively young men thoroughly experienced in railway business to assist in the direction of the Company's affairs.

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SIR GEORGE BARHAM, J.P.
SIR JOHN BARKER, BART., M.P.
THE RIGHT HON. LORD BRASSEY, G.C.B.
LEONARD LIONEL COHEN.
J. C. J. DRUCKER.
G. D. FABER, C.B., M.P.
GEO. GILLIGAN, J.P.
FREDERIC HARRISON, J.P.
ARTHUR A. HAWORTH, M.P.
SIR WILLIAM H. HOLLAND, BART., M.P.
JOHN C. HORSFALL, J.P. and C.A.
ALDERMAN SIR WALTER VAUGHAN MORGAN, BT.
J. W. MORKILL, J.P.
WALTER MORRISON.
J. C. PRIESTLEY, K.C., J.P.
H. S. THEOBALD, K.C.

At the following meeting of the South Eastern Railway Company, the Shareholders' Committee

represented totals of £2,351,150 of stock, and in February, 1910, it issued the following circular :—

You are aware that at the last half-yearly meeting of the South Eastern Railway Company, the Committee, representing a very large number of proprietors of the Company (holding stock to the amount of £2,351,150), endeavoured to secure some assurance from the Directors that the reforms, which we felt were necessary in the management of this Company, would be promptly and seriously attempted.

Since the half-yearly meeting we have been frequently in communication with the Directors in the hope that the various suggestions which we have from time to time submitted might be adopted.

One of the main objects which we have from the outset had in view was the appointment upon the Directorate, and upon the Managing Committee, of gentlemen possessing practical railway experience.

The Directors, towards the close of the past year, expressed their willingness to add to the Board and to the Managing Committee two new Directors to be nominated by us on your behalf; but although we have from time to time submitted several names for acceptance, the Directors have objected to the nomination of any gentleman who possesses that knowledge of railway work which, in our opinion, is absolutely essential to the improved management of the undertaking. The offer made to this Committee has, therefore, proved illusory.

The reason assigned by the Board for declining to accept the nominees of this Committee is that by adding Sir Frederick Harrison to their Directorate, they say that they have rendered it unnecessary that the new Directors should possess the special experience and knowledge of railway administration which we think absolutely requisite.

We need hardly say that our sole aim is the prosperity of the South Eastern Railway Company. We are only anxious to see our property rescued from the

unfortunate condition into which it has fallen, and therefore we propose, for the present, to refrain from further action in respect of the appointment of new Directors in order that Sir Frederick Harrison, who joined the Board in February last, may have ample opportunity to introduce such reforms as his very wide experience may suggest.

Whilst recommending this course, however, and whilst we shall welcome any success which may attend Sir Frederick Harrison's efforts, we wish emphatically to state that if no marked improvement becomes apparent within a short time in the conduct of the Company's affairs, and in the results obtained, we shall then feel it to be our duty to renew with greater insistence our previous efforts to secure reform, and we shall urge, and then, we trust, with irresistible force, our request that the Directors will add to the Board the names of gentlemen of practical railway experience which we have already suggested.

We think that the fact that our Committee represented at the last meeting one-third of the votes polled by the proprietary sufficiently entitles us to at least the number of Directors upon the Board that we have proposed.

We send herewith extract from a letter which we have recently addressed to the Chairman of our Company, declining his invitation to nominate for the Board any gentlemen other than those whom we regard as properly qualified.

As so many of you have been kind enough to support the Committee by your proxy, we trust that you will approve of the course which the Committee, after very careful consideration, have decided to recommend.

We have the honour to be,

Your obedient Servants,

JOHN BARKER,
THOS. J. BARRATT,
LEONARD L. COHEN,
J. C. J. DRUCKER,
WM. H. HOLLAND,
MARK OLDROYD,
R. W. PERKS,
H. S. THEOBALD.

Extract from letter addressed by the Honorary Secretary to the Chairman of the Board and the Managing Committee :—

24 Grosvenor Street, W.,
29*th December*, 1909.

I am desired by my Committee to advise you that they do not find that the object they have in view would be met by two places on the Managing Committee being filled by Directors whose qualifications and usefulness will be limited by Sir Frederick Harrison's claim that he must be the only railwayman on the Board.

This view of Sir Frederick Harrison must command sympathy, but the Board were aware that the shareholders associated with me had put forward another man with powerful credentials, and Sir Frederick Harrison therefore took his seat on the Board as a substitute for the gentleman recommended by the Committee, without its knowledge and agreement.

It is a fact, however, that Sir Frederick Harrison has joined the Board, and we assume that the Board meant serious business when they nominated him, as Sir Frederick Harrison did when he accepted the nomination. My supporters will not be satisfied with anything short of an early and material improvement as the result of Sir Frederick Harrison's co-operation.

The sole aim and end of our movement is to better our position as shareholders, and we understand that the Board nominated Sir Frederick Harrison with that object specially in view. We feel, therefore, that though we were not consulted concerning his nomination, we are bound by the action of the Board to accept Sir Frederick Harrison's election for the time being.

We have therefore determined not to press the nomination of new Directors at the next meeting of shareholders, but to allow the matter to stand over for a short period so that Sir Frederick Harrison's work may be valued by results.

Should good results come, and come early, from Sir Frederick Harrison's presence on the Board, we shall be grateful to him, and be pleased that he joined that body. But should the results continue, in our judgment, to be unsatisfactory, we shall then have all the more reason, if not indeed an irresistible claim, for insisting upon places being found for the men from whom we feel certain that better results could be relied on.

Comment upon the foregoing is quite unnecessary.

Perhaps the addition to the South Eastern Board of that good old railway veteran, Sir Frederick Harrison, has proved of some service, perhaps it is partly owing to the fact that in Mr Dent the South Eastern and Chatham Railways have found a really competent manager, but in any case, owing largely to the great possibilities held out by the development of the Kent coalfields (a piece of rare luck for the South Eastern and Chatham Railways), the prices of these companies' stocks have picked up slightly during the last year or two; and if all the anticipations that are held with regard to Kent coal are fulfilled, it is possible that there are some people living whose great-grandchildren may, with some justification, be discussing the possibilities of a dividend on London, Chatham, and Dover ordinary stock! But the railways will have been nationalised long before then!

The Great Western Railway is another example of railway 'enterprise' which has turned out very badly for its stockholders. This company has probably been the worst offender of the lot in capital expenditure, and it was only by reason of exceptional pressure brought to bear upon the Board, long after most other companies had, in

a measure, mended their ways in the matter of capital expenditure, that Great Western Railway shareholders were able to compel their Board to restrain their unfortunate activities in this direction. The Great Western has spent millions on competing with the North Western both as regards the Irish traffic and the Birmingham traffic, which will never pay, and when the new Birmingham route was first mooted, the London and North Western Board regarded it as a violation of the agreement entered into with their company in 1863. In many quarters the Great Western Railway is regarded as the worst example of unfruitful expenditure of capital, and various booklets have been published dealing with this particular company.

Although shareholders are proverbially a long-suffering and inactive body of people, the position has become so bad of late years that, as has been shown, for some time an increasing number of shareholders has tried to force the Directors' hands, and it is indisputable that the present policy towards amalgamations and working agreements between the different Companies has not sprung from the initiative of those in control of the railways but from pressure on the part of the shareholders. In the words of one of these shareholders, Mr G. H. Hargreaves :[1]—

'It is the wish of this Association to work in accord with the directors of the Railway Companies, and to help them to carry out what many of the chairmen have lately acknowledged to be necessary—viz., co-operation—but which they individually apparently are unable to achieve.

[1] Report of Railway Shareholders' Conference, held under the auspices of the Railway Shareholders' Association at the London Institution, on 8th July, 1908.

'In 1905, at the London and North Western Company, I addressed the meeting on this subject, showing the number of trains that ran per diem to such centres as Manchester, and the number of Railway Companies that were competing for the business, many of the trains running at the extravagant rate of 52½ miles per hour, and for many months in the year not carrying a paying load. I suggested that a working arrangement should be made with the Midland Company, hereafter bringing in the other companies north of the Thames, and appealed to the Chairman, as directing the premier railway of England, to bring about some arrangement which would put a stop to the existing wasteful competition, so detrimental to the interests of the shareholders, and, more important still, detrimental to the State. I endeavoured to prove, taking the German railway system, past and present, as a guide, what benefits would result from co-operation. In reply the North Western Chairman said: "We have moved twice in the way of co-operation with other companies. In both instances the negotiations fell to the ground; but we are always ready and anxious to do everything in our power to co-operate with other companies, and make friendly arrangements, in order to decrease both trains and expenses of everything else." Since that date competition, instead of becoming less, is, on the contrary, growing much worse.

'In February, 1906, the Chairman of the London and North Western acknowledged the Midland as "our principal competitor," and said "that they were working towards increasing such co-operation between the companies in order to prevent useless expenditure and extravagant competition," and further said, that such arrangement could not be brought about in "a heroic manner." This is two or three years ago, and little or nothing towards this end has been accomplished. Now, it is held by many stockholders that it is only in a heroic manner (by some scheme

of unification of the competing companies) that the railways of the United Kingdom can be placed on a sound economic basis.'

And again,—

'I attended the Midland meeting in February, 1907, and, using the same arguments as at the North Western meeting, asked what return the Heysham Harbour scheme was giving on the enormous sum of money that had been laid out. This is a scheme to tap the traffic of the North of Ireland, and is in direct competition with the London and North Western route via Fleetwood, a few miles south, which had been in existence for many years. It is very doubtful whether this encroachment into the London and North Western's sphere had done the Midland any good, and it has certainly done the North Western much harm; shareholders who are interested in both railways cannot be in favour of this class of competition. The Chairman replied in the usual way by saying: "Now, as to co-operation with the North Western, I have expressed in this room my desire, and the desire of all my Board, to co-operate with the North Western to every extent in our power," etc. Then why did the Midland promote this Heysham Harbour scheme, taking away some of the North Western's trade via Fleetwood? And if the Midland is always willing to co-operate, why have they, and others, gone to the courts and upset the Great Northern and Great Central's agreement, and termed it an "Unholy Alliance"? This agreement was hailed joyfully by railway shareholders as an earnest of future co-operation among all our leading railways. It held out a prospect of competitive expenditure being materially reduced, dividends proportionally increased, and the State and the public better served. But instead of realising that reasonable hope, it only provoked a fresh outburst of hostility among our northern lines. Large sums of money have been spent over it merely to prove that

railway directors and officials are still far from being ready to act together for the interest of their shareholders.'

At the same meeting a Mr Barningham, who stated that he had lost between £30,000 and £40,000 on his investments in British railways, referred to the extravagance of the management, and said :—

'For instance, in Manchester I have lately had several observations made. We have three companies running between Manchester and Liverpool, and there are no less than 70 trains running each way between those two cities, which are 31 miles apart. Of these, 24 each way are non-stop expresses. Now I have no hesitation whatever in saying—and I challenge any denial of the statement—that any single one of these non-stop expresses would carry all the passengers who are going between Manchester and Liverpool within the hour. In other words, there are three trains running where one would do. I have mentioned it to the Chairman of one of the companies represented in that combination, and he frankly admitted to me that it was so. I said : "Cannot you put your heads together, and stop an extravagant waste like that? There is a service which the public, I say, has never demanded, and loss is being incurred on almost every train." He admitted that it was a subject which demanded attention. I have also taken up the question of the Manchester-London service. There you find that there are something like 50 trains running each way for four different companies. The greatest novice amongst shareholders can stand at King's Cross or Euston and watch these trains, and realise that there must be a great loss on them.'

At the same conference, Mr B. S. Straus, M.P., pointed out that the only desire of himself and others was to have light thrown upon the working

of the Railway Companies, and the fact that the Railway Companies themselves objected to that light 'shows I think quite clearly that they know it will reveal things that they do not wish us to know.' He further pointed out that whenever extravagance was mentioned, the Directors' cry always was 'We have got to pay the men more.' In this connection, Mr Straus went on to say:—

'I am not one of those who think that the only way to lessen expenditure of railways is to prevent the men from combining in order that they may get a fair wage. I am here for larger, and I hope higher, purposes than that. I know it is no good to talk at a Railway Company's meeting. We have there no influence on Railway Boards, and the result is that the management keeps the whole thing in its own hands. May I just express to this meeting a view which I have held for very many years past, that at the finish we shall have to take our case to a higher tribunal than we have appealed to so far. We shall have to take our case to Parliament itself, rather than to the President of the Board of Trade, and I believe the case of the railway shareholders is so strong that Parliament will intervene in their favour. Mr Chairman, I should like, in conclusion, to read what appeared in the Press the other day—a report which I think is very typical of what the Railway Companies are doing at the present time in their own interests, as against the interests of the public and the nation. It is not a question of the payment, good, bad, or indifferent, of the men. It is a question of trade.'

Mr Straus here read an extract from the *Daily Mail* as to a large consignment of fruit, which had been spoiled with heavy loss to the sender, through being sent by the most roundabout route, in order to give the Railway Company which received it the largest possible haul on its own line. He then proceeded:—

'I believe I am right in saying that that is a typical case, such as constantly occurs in this country and nowhere else in the world, and we who are proud of our honourable trade in the ordinary way should be ashamed of our Railway Companies for acting in this way, which I believe they legally can do, but undoubtedly cannot do morally. In conclusion, I hope the meeting to-day is the beginning of a great movement towards the better management of the railways.'

Reference has several times been made to the Railway Shareholders' Association, a society which was formed by a number of active shareholders in sheer desperation at the mismanagement which was depreciating their property. The association can do good work, and if rightly led may prove to be an important factor in railway management. Unfortunately, on the occasion of the railwaymen's strike in 1911, the association incurred some ridicule by the issuing of a most unhappy circular, the writer of which revealed so much animus against the workers that he made the preposterous suggestion that the railway service should be thrown open to the middle classes. The idea of top-hatted gentlemen taking the places of porters and platelayers at 18s. or 19s. a week was certainly amusing, and the Scottish Railway Shareholders' Association thought it desirable to issue a circular drawing attention to the fact that the said circular did not emanate from them. The English association has, however, survived this unfortunate mistake, and is undoubtedly a factor in bringing about a saner management of our railway system than has obtained in the past. As Mr Straus pointed out, one of the stock excuses of the railway directors is the increased wages they have to pay their men. As will be seen on reference to Chapter VI.

there was no truth in this excuse, the number of workers on the British railways having actually decreased during the last few years, and the average weekly wage, between 1900 and 1911, having shown a rise of only 1s. 7½d. per head. It is estimated that the fall in market values of railway securities during the last ten years has exceeded £300,000,000, and the credit of our railways is on a lower basis to-day than for thirty years past, which speaks volumes for the management! The slight improvement which has taken place the last year or two from the point of view of the shareholder is due more to the difficulty on the part of the Railway Boards of raising fresh capital than to the pressure on the part of their shareholders or any other cause, for so long as they could continue to raise additional capital, they went on constructing unprofitable, unnecessary, and merely competing lines. The following extract from the prospectus of the Lancashire, Derbyshire, and East Coast Railway (now the Great Central Railway) issued in June, 1892, asking for additional capital, is very interesting reading, as it shows the ideas of that period in the heads of those responsible for British railway finance:—

Since Parliament last sanctioned a new trunk line, some thirty years past, the receipts of English railways have nearly trebled, and the number of passengers has increased fivefold. . . . In the belief that no other class of investment can show such persistent prosperity, and that no other body of investors have, on the whole, fared so well as those, who, relying on the investigations of the English Parliament and the protection of English laws, have put their money into English railways, the directors, who have themselves invested largely as ordinary

shareholders in the company, confidently invite the public to join with them. . . .

The facts in the foregoing excerpt are quite correctly stated; receipts, gross and net, have increased hugely, but so, alas, has the capital and indebtedness of the Railway Companies!

CHAPTER VIII

LIFE AND LIMB—A COMPARISON BETWEEN STATE AND COMPANY OWNED RAILWAYS

With a good permanent way, with a minimum of level crossings, and a national reputation for nerve, calmness, and sobriety, the average Britisher is prone to consider his railways the safest in the world. In this he is wrong; for while much ahead of the American railroads in this respect, the British Railway Companies are behind some of the State-owned railway systems of Europe.

In May, 1910, the *Deutsche Versicherungszeitung*, one of the leading insurance journals of the Continent, published the following table, showing the number of deaths and injuries resulting from train accidents per million passengers in various countries :—

	Deaths. Per Million Passengers.	Injuries. Passengers.
Germany	0·08	0·39
Austria-Hungary ..	0·12	0·96
France	0·13	0·18
United Kingdom ..	0·14	1·94
Switzerland	0·15	1·12
Belgium	0·22	3·02
United States of America	0·45	6·58
Russia	2·24	11·63

The high place occupied by France will come as a surprise to many, and it is doubtful if this would be supported by the last two years' figures.

It must be premised that an international comparison of this sort is at first difficult, for in some countries the statistics relating to deaths on the railways include suicides and calamities due to the passenger's own action, whilst in the case of other countries persons who are only shaken or slightly bruised are included in the number of persons injured. Furthermore, one year differs so enormously from another in the number of deaths, although not so much in the number of injuries, from railway accidents. Thus, twice during the last thirty-seven years no death has had to be recorded from this cause in the United Kingdom, and the following figures show how enormously these cases fluctuate from year to year :—

UNITED KINGDOM.

NUMBER OF PASSENGERS KILLED AND INJURED IN TRAIN ACCIDENTS FROM CAUSES BEYOND THEIR OWN CONTROL.

Year.	Killed.	Injured.
1909	1	390
1910	23	1111
1911	14	468
1912	20	683

Taking the year 1910 (the last one for which figures are available in all cases), a comparison of the statistics of each country's railways shows the following :—

	Passengers Killed.	Passengers Injured.
Belgium ..	1 in 15,771,000	1 in 488,700
United Kingdom	1 in 56,810,000	1 in 1,171,000
Prussia ..	1 in 180,647,000	1 in 2,829,000
Denmark ..	nil.	nil.

It must be admitted that such a table is inadequate, for the other factors, such as length of journey and density of traffic, must be taken into account, as manifestly a collision between two full trains might entail much greater loss of life than six collisions between half-empty trains. But, so far as it goes, this comparison indicates that during the last year for which the figures are available, the British company-owned railways were much safer than the Belgian State-owned railways, but were much less safe than the State-owned railways of Germany and Denmark.

On the 24th December, 1910, a serious accident occurred to the down main line express from St Pancras to Glasgow, which, whilst travelling at a high rate of speed between Hawes Junction and Kirkby Stephen, ran into two light engines coupled together. The two front coaches of the express were telescoped and completely wrecked, but more damage was caused by fire, which broke out immediately after the collision, the whole train with the exception of the two rear coaches being destroyed Twelve passengers lost their lives, their bodies being completely destroyed by fire; whilst nine passengers, four drivers, and four firemen received more or less serious injury. The collision occurred during a wretched wintry night, in a remote spot, and some hours elapsed before aid was forthcoming; the scenes of horror which occurred defy description. The circumstances of this accident gave rise to considerable comment and correspondence in the Press, and as showing the precautions taken on the German State Railways in connection with accidents, the following extracts from a message from the Berlin correspondent of *The Times*, dated 28th December, 1910, are of interest :—

In Prussian express trains every carriage is supplied with a fire-extinguisher filled with carbonic acid, and a hatchet and saw hang in a glass-fronted case on the corridor wall of every carriage. In slow trains these appliances are only carried in the luggage cars. Expresses are lighted either by electricity, in which case the power is generated by a dynamo carried underneath the locomotive, while the accumulators necessary to keep the light burning when the train is at rest are placed under the carriages, or by gas. Incandescent burners have lately been introduced, and have proved so satisfactory that it is not proposed at present to continue the process of substituting electricity for gas on expresses. Slow and suburban trains are mostly gas lit. Gas is carried underneath the carriages in tanks, which are filled from the railway gas reservoirs at the stations.

The large windows which are a feature of carriages on most Continental railways were introduced in Prussia largely in order to make it easy for passengers to escape in case of accidents. . . . Compartments are fitted with a single window on the outside, which is almost as wide as the compartment itself. The windows in the corridors are similar. The cars are fitted outside with hand-grips, so that if the train is turned over on its side the passengers can more easily clamber out.

A supply of torches is carried on express trains for use in case of failure of the light. They are carried in the luggage car. It is a rule on the Prussian railways that if a train halts for more than eight minutes a red light is placed at the rear of the train as an additional precaution against collision with other trains coming up behind.

Another correspondent wrote to *The Times* pointing out that German express trains carried in each coach an axe, a saw, some rope, and other tools, and he added :—

If the Midland express had carried such a set of tools and apparatus for use in case of accident, some of the harrowing scenes witnessed at the lonely spot where the accident took place might have been avoided and some lives might, so far as can be judged from reading the accounts of the accident, have been saved. I hope that it may be made compulsory upon every Railway Company to have each coach fitted with an axe and saw at least.

After perusal of the foregoing extracts the reader should carefully note and reflect upon the significance of the following paragraph taken from an article dealing with this same accident which appeared in *The Times* of 29th December, 1910 :—

The Board of Trade has no statutory power to impose regulations on the Railway Companies, and the utmost influence which it can exert is in the form of recommendations.

There are some people who think that efficiency combined with safety is more likely to be achieved by Governmental control of Companies, than by direct State operation, but experience all over the world, *e.g.*, State-owned coal-mines in Germany, as well as the railways, prove the contrary. When the State endeavours to compel Companies to provide some additional safety devices, whether it be by the provision of more lifeboats, shorter working hours, safety brakes, or stronger couplings, the Companies always exert all their influence to prevent such improvements, on account of the breach they would make in the profits. Those in control of railway, shipping, and other Companies are not wilful murderers, and are certainly not desirous of accidents, which in many cases, as far as the Railway Companies are concerned at any rate, entail heavy material losses; but where

it is a case of expenditure much in excess of any material saving that would result from the avoidance of accidents, the matter is regarded from a business standpoint, or, to put it in another way, no enthusiasm is displayed by Railway Companies whose *raison d'être* is profit, to adopt expensive improvements or measures, even though life be rendered safer thereby, just as a recent alteration of the Board of Trade regulations reminds us that shipowners do not exactly use their influence to raise the Plimsoll safety line!

The following extract from the financial page of *The Observer* of 22nd September, 1912, just after the accident at Ditton, on the London and North Western Railway, when 16 people were killed and about 80 were injured, is evidence of the truth of this statement. (The italics are mine)

North Westerns find their supporters, despite the terrible Ditton accident, which had remarkably little effect on the price of the stock. Probably this was due to recognition of the fact that the Company is better able than most to bear the consequences of the catastrophe, in view of its substantial reserves. *There is some nervousness in the market and among railway shareholders generally, however, lest the particularly distressing circumstances of the accident may not compel the Board of Trade to make more stringent regulations for safeguarding the travelling public, which would, of course, mean heavier expenditure for the railway in the near future.*

Comment would be superfluous!

Thus far we have dealt only with the safety of passengers. The time at the writer's disposal has not yet permitted of a similar comparison with regard to deaths and injuries to railway

workers being drawn up, although it is evident that here also the United Kingdom is far from taking first place; and time and again one reads of opposition on the part of the British Railway Companies to the use of appliances that would reduce the awful mortality which takes place on their lines, and the following two extracts will serve to illustrate the point :—

A great number of failures of couplings are reported to the Board of Trade every year, the figures in 1911 being 2934; and probably there are many more of which no one ever hears. Of this number, 2270 occurred on goods trains, and an analysis of the returns shows that 1777 were cases of actual fracture, while the remainder were due to the couplings becoming detached through jumping off the drawhooks. Although, fortunately, such failures do not often cause accidents to passenger trains, owing to the men being more on the alert than in the present instance, each one of them is a potential cause of disaster, and they do as a fact frequently result in injuries to men, in damage to goods trains, and in delays to and dislocation of the traffic. I therefore think it would be well for the railway companies to look into the strength and design of the coupling which is in general use on goods trains. The present coupling consists of three welded iron links. A weldless steel coupling has recently been tried and has given very satisfactory results. This, while of no greater weight than the present iron coupling, and offering therefore no impediment to the use of the coupling pole, possesses much increased strength. Unfortunately it costs rather more than the iron coupling. Increased cost is of course a drawback, but it would probably be found that this would be more than balanced by the saving produced by a reduction in the number of accidents. The three link coupling is simple and inexpensive, and Great Britain,

so far as my experience goes, is the only country that uses it. Even if a little more money were spent upon it, it would still remain the cheapest coupling in the world.

> Report dated 24th August, 1912, by Colonel Sir H. A. Yorke to Board of Trade on a collision at Hest Bank Station on London and North Western Railway.

In 1907 the Board of Trade wrote to all the Railway Companies in the United Kingdom suggesting that a whistle of a distinctive type should be supplied to every platelayer employed upon the permanent way. Forty-four of the Companies, including some of the most important railways in the country, agreed to act upon this recommendation; thirteen other companies said they would supply whistles to their gangers, foremen, assistant gangers, or leading men, and to the look-out men, but not to the whole permanent way staff; whilst forty-seven Companies, including the North British, have hitherto refused to give whistles to any men, even to the look-out men.

> Amalgamated Society of Railway Servants, General Secretary's Report, dated 7th October, 1912.

If the ordinary British citizen were told that the Government of the country had suggested to the Railway Companies that, in order to save the lives of some of their employees occupied in dangerous work, each of these men should be supplied with a whistle, and that a large number of such Companies had refused to accede to this modest request, he would frankly disbelieve it. Can one picture this occurring if the railways were operated by the State? And will opponents of nationalisation kindly deal with this point and that of the preceding extract?

CHAPTER IX

THE RAILWAYS AND THE POST OFFICE

LOOKING back upon the course of railway development during the past decade or two, we find that the wages of the great army of railway employees have remained practically stationary in spite of the increased cost of living, and that the tendency has been for passenger fares and goods rates to be increased and for facilities to be decreased. Furthermore, when, as the result of under-payment and excessive working hours, the railway employees struck work, and wrung from the directors the promise of some concessions, such promise was only given on the understanding that the Companies should be permitted to recoup the additional expense thereby incurred by raising their rates.

How has it been during the same period with the Post Office? Once every year the Postmaster-General, in introducing the Post Office estimates, furnishes Parliament—and through Parliament the nation—with a review of the progress during the year of the great centralised department of national activity which is under his control. Such annual review invariably resolves itself into the Postmaster-General pointing out with pride how rates have been reduced, how numerous concessions have been made to the public, how the conditions of employment have been improved, and foreshadowing further improvements in the service. Let us take the question of labour conditions first. Far be it from me to state that the Post Office is an ideal employer and that all the 233,000 postal servants are contented with

their position; but this is a comparison between Railway Companies and the Post Office, and I do assert unhesitatingly that the Post Office is so much better an employer than the Railway Companies that if the railway workers could immediately come under Post Office conditions of employment, most of them would at once be in receipt of higher rates than those for which they are still agitating. The superiority of labour conditions under the State as compared with those obtaining under a powerful Company was never more forcibly shown than in the definite statement of Mr Herbert Samuel, the Postmaster-General, when introducing the Post Office estimates on the 20th May, 1912, and the statement is so definite that I cannot do better than reproduce a portion of Mr Samuel's speech as reported by *The Times* of 21st May, 1912.

'That the Post Office, after all, is not such a bad employer of labour, is, I think, evident from the improvement in the condition of the Telephone Company's employees who have been transferred to the Post Office. It is rarely that we have the opportunity of making an exact comparison between the conditions in State employment and the conditions in similar employment outside. We have that opportunity in this case. The employees of the National Telephone Company numbered 19,000. On transfer to the Post Office they enjoy the conditions of Post Office servants of the same grade doing the same work. The consequence has been that in wages alone that staff are now receiving £175,000 a year more than they would have received if they had remained with the Company, and, owing to the shortening of the hours of work and the increase of holidays granted, I have had to employ a larger staff, involving an increase in the wages bill of £32,000 a year. The pension rights granted to the Telephone Company's

employees involve an increase to the amount of £201,000 a year, when the pensions mature. So that altogether these 19,000 telephone employees benefit in money or in money's worth to the extent of £408,000 a year, or a sum of over £20 per person, or 8s. per week. Many improvements in detail have been effected in the employment of the various branches of the Post Office staff, with the co-operation and sometimes on the suggestion of the heads of the Department. I should like to take this opportunity of emphatically declaring that I find that the able Civil Servants who are at the head of the Post Office are always most ready to welcome proposals for the improvement of the condition of the staff, and indeed are themselves continually initiating improvements. The committee for dealing with telegraphists' cramp, presided over by my hon. friend Sir J. N. Barran, have lately reported; their recommendations are being adopted by the Department, and, I trust, this will result in a diminution of that painful disease. The solution of the boy messenger problem is rapidly proceeding. In 1909–10 we had to dismiss at the age of 16 years 4470 boys. New schemes have been adopted enabling that number to be reduced in 1910–11 to 8628, and last year to 1207. I hope that next year the number will be reduced to 400, and that at no very long interval the boy messenger problem will be altogether solved. (Hear, hear.) It has been necessary to stop open competition from the outside for a number of classes in the Post Office service, and to limit the competitors to boy messengers in order to secure for them opportunities for employment; but we are confident that in giving them a better assurance of permanent employment we shall get a good class of boys to enter the service. The juvenile employment committees throughout the country are advising us in our selection of boy messengers on entry, and we shall take every step to secure that the educational standard of the service

shall in no way be lowered by the cessation of open competition. I have also established, with the Education Department, a system of compulsory evening educational classes for the boy messengers.'

Now as to improved services and reduced rate. As regards efficiency the Post Office need not fear comparison. When you entrust one evening to this State-managed Post Office a letter or parcel, you do not lie awake wondering whether or not it will arrive at its destination next morning. Send a parcel by rail, however, and you are not *quite* so confident. But apart from this, let us look at the two departments of national activity during the last decade or so. As already stated, the railways are curtailing the facilities they offer to the public; they have left the lot of their workers practically unchanged, and they are raising rates and fares. The Post Office, on the other hand, is continually making fresh concessions of the first importance. A few years ago a 4-oz. inland letter cost 4d.; now it is carried for 1d. A ½-oz. letter to Australia or the United States cost 2½d.; now a 1-oz. letter goes for 1d. A 1-oz. letter to France or Germany cost 5d., and a 2-oz. letter 10d.; now such letters cost 2½d. and 4d. respectively. Imagine the Railway Companies announcing to-morrow that in future they would carry double the weight for the same money. The idea is preposterous, still this is what the Post Office has done time and again, and at the same time it has increased wages. The increased cost of living and of most materials has not affected only the Railway Companies; the Post Office has had to face the same changed conditions as the Railway Companies. Why then has the Post Office been able to reduce rates, increase wages, and still show undiminished profits?

The Post Office is itself a severe sufferer at the hands of the Railway Companies. In most foreign countries the State Railways, *and also the Railway Companies where they exist*, have to give the use of telegraph lines, and to convey the mails and Post Office servants free of charge. In the United Kingdom the Companies derive an enormous sum annually from the Post Office, and their demands are so exorbitant that the Post Office has found it cheaper to organise its own service of motor-cars between many important towns. In countries like Germany, Switzerland, and Belgium, where both the Post Office and the railways are State-owned, the two services are in many respects worked together to the great benefit of the nation, and it is possible to send an 11-lb. parcel from any one part of Germany to another, or indeed to Austria, for 6d. There are hundreds of directions in which close co-operation between these two great services is of great public convenience; take for example Post Offices within stations, and automatic stamp-vending machines. In every important railway station in Germany there is a fully equipped Post Office and, furthermore, automatic machines for the sale of stamps are to be found at most of these stations. A railway station being a building accessible to the public during more hours of the day than perhaps any other building, it is obviously very convenient to have Post Offices and stamp-selling machines situate in such buildings. In the United Kingdom, however, the matter would resolve itself into one long tussle between the numerous Railway Companies and the Post Office as to the rents for the provision of these most convenient facilities for the public. That the provision of these facilities

is an enormous convenience to the public is shown by the fact that the officials at the telegraph offices situated within some of the London termini find it necessary to display a notice informing the public that stamps are not sold there, but have to be obtained at the Post Office nearest to the station.

CHAPTER X

RAILWAY ACCOUNTS

On all sides acute dissatisfaction has been expressed for many years at the paucity of the information the British Railway Companies give regarding their operations, and the student of railway affairs has the mortification, when consulting the statistics published by various foreign Governments, of seeing blanks under the heading of United Kingdom in the case of many details given for the various railway systems of the world. In many of the cases which have come before the Railway Commissioners, the Railway Companies have endeavoured to justify increases of rates by saying that the proportion of their expenses to the gross receipts has risen; and although traders affected by the increased rates were convinced that there had been no real increase of expenditure in dealing with the traffic, they often had considerable difficulty in proving the contention of the Companies to be wrong, on account of the lack of material published. This of itself, in the eyes of those responsible for the management of the British railways, would be quite sufficient argument against keeping and publishing proper statistics; but all those who

have paid attention to the scientific working of railways are convinced that unless a railway administration does keep such statistics as will enable it to see where it is making money, and where it is losing money, where increased expenditure comes in, and the like, it is impossible to work a system satisfactorily; and they point to nearly every other country in the world where the railways are State-owned or Company-owned, as compiling and issuing such statistics, whereas the British railways neither publish nor keep record of anything more than the barest data. It is not even as though the Companies had collected these figures for their own use and refrained from publishing them; with the exception of the North Eastern Railway they simply do not keep proper statistical records. No modern man of affairs thinks of carrying on his business without keeping a complete set of statistics relating to the working, cost, and results of every department and agency of his business; but the ineptitude which has characterised the management of the British Railway Companies during the last twenty or thirty years is as marked in this direction as in every other, and as usual it has remained for Parliament to compel the Railway Companies to publish proper accounts, but even now these will be very deficient in many directions.

The *Statist*, which has all along in the interest of railway shareholders played a leading part in this demand for fuller accounts and statistics, in an article on the British railways which appeared in its issue of 17th August, 1912, wrote as follows :—

We are aware, of course, that the North Eastern Railway through its excellent system of accounts and statistics has now so fully investigated all the factors

affecting both the income and expenditure that its officers have that complete grasp which will enable the traffic to be handled at the terminals and conveyed with great economy and efficiency. The task of reorganising its goods traffic has been going on for the last ten years, with the result that the efficiency of the goods and locomotive departments have been wonderfully increased, and we now have the statement of the Chairman that similar attention is being paid to the passenger traffic and that the passenger train service has also been completely revised.

The statement of the Chairman of the Midland seems to indicate that the officers of that Company have also investigated all the conditions under which the traffic is carried both from the point of view of rates and fares and of service, and that the optimism of the Chairman of the Midland concerning the future is the result of the inquiry. Over ten years ago we hoped and expected that the reorganisation of British railway working would be taken in hand immediately, and that greatly improved results would be forthwith obtained. At that time we did not allow for the conservatism of the British character, nor for the almost insuperable difficulties of reorganising a great industry which had been conducted on unscientific lines for over fifty years. The work of reorganisation has consequently taken more than a decade, whereas we expected that it would be completed in two or three years. We are, however, now convinced that we are in sight of the time when not only the North Eastern and the Midland will enjoy that scientific and expert administration which will enable them to overcome any difficulties which may arise, but that all the other railways of the country will enjoy similar good management, and consequently we can endorse the hope of the Chairman of the Midland 'that by good management these difficulties will be overcome, and the shareholders need not take alarm nor a too gloomy view of the future.

From the foregoing it will be seen that from the Companies' own point of view full statistics are necessary for scientific management; but these are equally desirable from the standpoint of the trading community. Experience in every other country has shown that railway rates for the carriage of goods generally, and coal in particular, have been largely reduced, because the growth in the volume and density of traffic, consequent upon the growth in population and wealth, has reduced the cost of transportation per unit of traffic, just as in every business a large increasing turnover, by reducing the percentage of many of the fixed and some of the other charges, enables a dealer to sell at a lower price; but although in the United Kingdom the density of the goods traffic has increased enormously, traders have received practically no advantage from the ability of the railways to deal with their greatly increased traffic at a lower cost per ton.

Detailed and properly dissected accounts are necessary therefore in order that shareholders, traders, and others may see why, in spite of ever-increasing traffics, the Railway Companies do not reduce their charges and working costs proportionately, nor, on the other hand, largely increase their dividends—in other words it is desirable that proprietors, traders, and the public should see how and where the money is going.

As all sections of the community, from the shareholders to the traders, had endeavoured vainly to compel the Railway Companies to keep proper accounts, the President of the Board of Trade, Mr Lloyd George, in 1906 appointed a Departmental Committee to make inquiries into the subject. The Committee included Sir Charles

J. Owens, General Manager of the London and South Western Railway, and the chief accountants of the Midland Railway and the Great Western Railway, the Hon. George Peel, Mr W. M. Acworth, and Mr (now Sir) George Paish, one of the editors of *The Statist*, these last three gentlemen representing the shareholders and railway experts. After three years' deliberation, the Committee issued its report, the position in regard to which is described very clearly in the following extract from an article which appeared in the *Chamber of Commerce Journal* for October, 1909 :—

The whole Committee has been convinced that the accounts and statistics of our railways need complete revision and great amplification, and the schedules of the proposed accounts and statistics appended to the report indicate the large amount of thought and hard work given to the work of revision. For instance, in the new accounts it is proposed entirely to separate the working of the railways from the working of all other industries, such as hotels, steamships, etc., carried on by the Railway Companies. The accounts as finally agreed upon received the unanimous approval of the Committee.

But important as are the accounts, the suggested schedules of statistics to be appended to the accounts are of even greater value. If the statistical schedules are made statutory, it will be possible for every one, for the first time in the history of railways in this country, to ascertain for what purposes the railways have expended the vast amount of capital raised.

In the past the statistical information published in a report consisted merely of the length of road, the number of locomotives, carriages, and wagons, and the train miles run. The suggested schedules, which have also been approved by the whole Committee, provide for detailed statements not only of the

length of road, but of the length of second, third, fourth, and additional tracks, as well as the length of the sidings, of the number and capacity of the engines, of the number and seating capacity of the carriages, and of the tonnage capacity of the wagons. Statistical statements are also recommended of the number and tonnage of the steamboats, the length of canals, the extent of the wharves and docks, the number and situation of the hotels, etc. Much more enlightened data are proposed as to the work done. Hitherto information has merely been provided as to the number of *train* miles run. The proposed schedules provide *engine* mileage incurred in hauling loaded trains, together with the *total train* miles, including shunting miles. Upon all these matters the Committee are unanimous.

When the Committee came to the really essential information which would throw light upon the whole economy of railway working there was disagreement. In this country, at present, no information is compiled, except by the North Eastern Railway, of the work done by railways for their receipts and for their expenditure. The companies compile the number of passengers and the tonnage of goods carried, but they do not ascertain how far they carry their passengers, nor the distance they haul their goods. Therefore they do not know the total volume of their traffic, nor are they able to ascertain either their average fares for passengers and rates for goods, nor the trend of those fares and rates from year to year. Further, as the railways do not ascertain the volume of their traffic, they do not know its density.

The investigation has convinced the Chairman and the two members of the Board of Trade, as well as Mr Acworth, Mr Paish, and Mr Peel, of the great value of this information. Indeed, no one can read the Majority Report of these six members of the Committee upon what is known as the ton mileage system of statistics without being impressed with its

great value from every point of view. The Report explains that the system of statistics based upon ton mileage and passenger mileage takes as its foundation the principle of combining, in a comprehensive figure, the two factors of weight or number, and of distance; the fundamental units (the ton mile and the passenger mile) being respectively one ton carried one mile, and one passenger carried one mile. The majority of the Committee explain that among the more important statistics deduced from ton miles and passenger miles may be mentioned :—

(1) The average train load of goods and of passengers obtained by dividing the ton mileage and the passenger mileage respectively by the train mileage.

(2) The average wagon load and the average carriage load, obtained by dividing the ton mileage by the wagon mileage, and the passenger mileage by the carriage mileage.

(3) Ton miles per engine hour.

(4) The average length of haul for goods and passengers respectively, obtained by dividing the ton mileage and the passenger mileage by the total tonnage and total number of passengers conveyed.

(5) The average receipts per ton per mile and per passenger per mile, obtained by dividing the goods receipts by the ton mileage and the passenger receipts by the passenger mileage.

(6) The average density of traffic per mile of road or per mile of track, obtained by dividing the ton mileage and passenger mileage by the length of road or by the length of track.

The only point of difference is as to whether this detailed information should be made statutory. The Chairman and the two members of the Board of Trade hesitate to force upon the railways the compilation and publication of the suggested information, and they give as their reason for this hesitation *the absence of any very strong demand on behalf of the public for the information.* On the other hand, Mr

Acworth, Mr Paish, and Mr Peel recommend that this information should be made statutory. They state that 'the statistics of ton mileage and passenger mileage stand in our judgment on the same footing as the other accounts and statistics and should equally be made statutory'; that they know no reason why 'a large part of their usefulness might be lost if their compilation resulted solely from compulsion'; that they 'are unable to agree that shareholders and the general public show little interest in this question'; and finally, they are of the opinion (and for traders the matter is of great importance) that 'our colleagues have not given sufficient weight to the interests of the public, which in this matter coincide with those of shareholders. If the control of the Board of Trade and of Parliament over the railways is to be wise and salutary, it must be based on adequate knowledge. Adequate knowledge cannot exist until comprehensive information is produced showing the total amount of work done by the Railway Companies for the public, and the average charge made to the public for doing it.'

To give effect to their recommendation these three members propose the adoption of the schedules contained in a supplementary appendix, and recommend that these additional schedules should constitute 'a portion of the statutory returns to be made by Railway Companies both to shareholders and to the Board of Trade.' Were these schedules to be made statutory, the Railway Companies would be required to compile statistics as to engine hours, carriage mileage, wagon mileage, passenger mileage, ton mileage, and the density of their traffic. They would also ascertain the average fare per first, second, and third class passenger per mile, the average rate per ton of goods per mile, and per ton of minerals per mile, the average loads per train, per wagon, and per carriage, the average number of carriages and wagons per train, as well as the train miles, carriage miles,

and wagon miles per engine hour. Such information is of vital importance, not only to railway managers and the responsible authorities, but also to traders, by enabling them to ascertain if the rise in expenditure in proportion to the receipts is due to a fall in passenger fares, and is not brought about by any increased cost of dealing with the goods traffic. To the Majority Report the three representatives of the Railway Companies offer uncompromising opposition. Sir Chas. Owens, Mr Bailey, and Mr Whitelaw, in their Minority Report, confine themselves entirely to discussing passenger and ton mileage. It is noteworthy that in no portion of the Minority Report is any mention made of the value of the information which these statistics would afford for the purpose of supervision and control.

The result of the Committee's Report is the Railway Companies (Accounts and Reports) Act, 1911, which, in the words of its introducer, Mr Buxton, President of the Board of Trade, was 'a modest measure of railway reform of a business-like character, which would be of advantage to the public and to the shareholders in Railway Companies.' That the measure only partially meets the needs of the case was admirably shown by Mr Burdett-Coutts, who, speaking in the debate on the second reading of the Bill—I quote *The Times* report—'complained that the Bill shirked a decision on the great question of the scientific organisation of English industries. The railway industry was not only of great importance, but it was the one industry over which the Government had complete control in the matter of statistics, without which there could be no scientific organisation. The fact that the Government at this juncture gave a faltering lead or no lead at all in regard to

scientific industrial organisation would have far-reaching results. He was a whole-hogger as to Tariff Reform, but there was one thing prior to and more important than an alteration in the fiscal system—one condition that had enabled our competitors to outpace us more than all their tariffs—and that was the scientific organisation of their industries. He would have thought a Free Trade Government would have recognised this and seized the opportunity thrown away in this Bill. The bed-rock of scientific industrial organisation was accurate data and full statistics. All attempt to secure them was abandoned by the Bill. There were two policies before the Board of Trade put forward in the Report of the Committee on which the Bill purported to be based—one the policy of practically no information and no statistics; and the other the policy of vitalised and informing statistics. Of these two policies the President of the Board of Trade had deliberately chosen the useless one and rejected the useful one. The appointment of the Committee he had mentioned was the direct outcome of a prolonged effort in which he and others were concerned, to induce English railways to compile and publish statistics of their own accord. On their campaign at Euston he desired to make no comment. They did not succeed in inducing the London and North Western Railway to compile these statistics, but they drew widespread attention to the fact that they did not exist. At Euston they were met by the statement from the chair that the statistics and data they wanted were worthless and absolutely useless. They appealed to the Board of Trade, and the Committee on Railway Accounts was appointed. It sat for three years and reported last year.

The Report was signed by all the members, but was inconclusive, for there was a Minority Report by the railway representatives against the adoption of the course the reformers proposed. He impressed upon the House that, up to the point where it came to securing the adoption of these statistics by the railways, the Report throughout was strongly in favour of the statistics, illustrating their value from the evidence establishing the fact that the cost of compiling them was immaterial, and making other points in their favour sufficiently clear. Then suddenly, when it came to real business—namely, the actual introduction of the statistics—the Report faltered and came to a lame and impotent conclusion. It recommended their adoption, but failed to recommend their being made statutory. Seeing that the tenor of the Report was in favour of the system, surely the Minister responsible might have taken the matter in both hands at the point where the Report faltered, and come to a strong and definite decision. What were these statistics that were so useful? With regard to goods traffic they were weight and distance, the distance goods were carried; and with regard to passenger traffic they were the number of passengers and distance, the distance the passengers were conveyed. Surely the function of a railway was not only to put so many tons and so many passengers on its trains, but it was to carry both the required distances. Hitherto English railways, with one exception, did not compile and did not give any returns of the distance they carried their freight and passengers. That was the great defect he wished to remedy. Without this information it was absolutely impossible to know anything about the real service performed by the Companies

for the money they received. To get ton mileage they took the number of tons in each consignment, and multiplied them by the number of miles they were carried. In this way they got the number of tons carried one mile. They did exactly the same thing with regard to passenger traffic, and they got the number of passengers carried one mile. This was the form in which the figure was stated in all other countries. Put in that form, ton-mileage—it was the same with passenger-mileage—became a standard figure, a common denominator so to speak, to which they could refer almost every operation, every rate and fare charged, all money spent, and all work done on the railway. This would be not an average but an actual figure, and would enable comparisons to be made which now were not possible. That such returns were not, from their complexity, difficult to compile, had been shown by the officials of the North Eastern Railway Company, who had carried out the compilation. He did not expect much support from railway directors at present, and he had never understood the directorial mind either in relation to the full comprehension of the real work and scientific conduct of the work or the larger demand for full information; but he did not hesitate to say that these statistics were essential to the House for members to discuss any railway question. It would be well for the Companies to come into the open and tell Parliament and the public what they were really doing, what effective work they were performing in return for the unique privileges and monopolies which Parliament has granted them, and what relation that work bears to the money it costs and the charge made to the public.'

As far as it goes the Act is better than nothing, and as its third clause empowers the Board of Trade under certain conditions to make such alterations and additions to the information schedules as it thinks fit after hearing objections, it is to be hoped that some fine day the British railways will publish the same full accounts as the State-owned railways of the Continent and the Company-owned railways of the United States. In this connection a brief comparison between the information furnished by the greatest British Railway Company to its shareholders and the public and that furnished by a typical State-owned system, namely that of the Swiss Federal Railways, should be of interest.

In common with all the Railway Companies, the London and North Western Company issued during 1911 two half-yearly reports. These consisted in the aggregate of fifteen widely-spaced printed pages, of which one is occupied by the names of the directors, audit committee, etc., and three are given to the publication of the various classes of capital and debenture stock issued by the Company. This great railway, with a debenture debt and paid-up capital of £133,839,794, and owning, leasing, or renting 2124 miles of railroad, devotes exactly four pages of space (mostly duplicated, for there are two half-yearly reports) to a description of its operations and working during the year. If we compare this with the report of the Swiss Federal Railways for the year 1911, presented to the Swiss House of Representatives in April, 1912, we find that it consists of 224 pages of closely printed matter, containing numerous tables as insets, and that accompanying it is a volume of accounts

extending to 226 pages and a book of statistical tables consisting of 172 pages.

Space does not permit of details, and it can merely here be mentioned that these documents are materials whereby every operation of any importance of the State railway management can be followed. To some people all this detail might appear unnecessary, but think how desirable it is that any one should be able to see that to lay on water to Le Day Station cost exactly 1581 francs as against an estimate of 1200 francs, and how it is open to any citizen, if he considers there is any irregularity in connection with such charge, to get his Member of Parliament to ask a question in Parliament on that specific point. If figures were similarly open to inspection in the case of the railways of the United Kingdom, the financial results would be very different from what they are.

The statistical tables are models of scientific work, and to cite merely one example, it is possible to see at a glance the exact amount of traffic passing during the year through every single station on the whole Swiss railway system, including the number of single, return, and season tickets, the amount of goods, the number of animals, etc., and how it compares with the previous year.

The mere idea of permitting such statistics would arouse the derision of most of those in control of the British railway system.

But, it may be urged, while it is true that the British Railway Companies give practically no information in their reports to their shareholders or the public, the chairmen make up for this in their speeches at the half-yearly meetings. Any one who takes the trouble to peruse the reports

of the proceedings at these half-yearly meetings will find that in ninety-nine cases out of a hundred they are nice little family affairs, that the principal business is to pass a vote of condolence with the relatives of one or two directors who have died during the half-year (the percentage of octogenarians on railway boards is higher than among a group of old-age pensioners) and to elect in their places relatives. A few general remarks as to the state of affairs and the outlook (invariably contradicted by events), the wickedness of rates and taxes, trade union agitations (with an occasional gem like that of Lord Claude Hamilton at the Great Eastern meeting, when he said that Socialist workmen had more brains than their fellows), the unreasonableness of the trading community, Parliament, and, in fact, everybody everywhere, ending up with mutual felicitations, constitutes the business of the ordinary run of railway meetings. If there is some opposition among shareholders a little more information may be imparted, and, under great pressure, the chairman may even deal with the relationship of his Company and another Company; but if pressed for information as regards the working of the traffic, which might be of real use, it is not given, for the very good reason that such statistics are not kept, and shareholders who desire to be informed as to the actual position and outlook of their Company find nothing in the reports and accounts submitted to them on which to base either questions or remarks. Where the State owns the railways, the presentation of the railway budget every year to Parliament gives rise to a full-dress debate, generally extending over two or three days, when every important matter of policy can be discussed; and as such railway systems publish

the fullest and most extensive reports and statistical data, the representatives of the country have every opportunity of investigating any part of the work which does not seem satisfactory. Although the mere idea would horrify our railway managements, it may be mentioned that in these reports details of every important contract are published, which means that any attempt at corruption is much more likely to come out than in the case of large Companies and Corporations withholding all such details. It is unnecessary to pursue this topic any further, but opponents of State-ownership might bear in mind that the very hostility which they bear towards State administration is of itself one of the surest checks against abuses of this sort, for they may be relied upon (and quite rightly too) to search for and ferret out any attempts at corruption, a thing which obviously they are unable to do in the case of all the large contracts which are given out under the present system of Company management.

CHAPTER XI

RAILWAY NATIONALISATION IN OTHER LANDS: GERMANY — AUSTRIA — BELGIUM — DENMARK —SWEDEN—NORWAY

Germany

THE first railways in Prussia were built by private Companies under concessions from the Government. These concessions were governed by the law of 1838, which confers on the Government the right of purchase after the expiration of thirty years from the

date of the opening of the line, the price being twenty-five times the average annual dividend for the preceding five years. About 1850 it became evident that private enterprise was not keeping pace with the country's needs in the matter of railway construction, and the Government undertook the building of lines—chiefly in those districts in which the building of railways was not likely to be financially remunerative, and where there was consequently little inducement for private enterprise to undertake the work. This state of affairs continued until after the Franco-German War, when German industry and commerce began to go ahead by leaps and bounds, and the existing railway system proved quite inadequate to meet the demands made upon it. The railways, however, benefited greatly from this superabundance of traffic, and their dividends rose accordingly. The profitable nature of investment in railways being made obvious, private capital was quick to respond, and so many applications for concessions were received that a Committee of Investigation was appointed to go into the whole matter. The conclusion arrived at by this Committee was that economic considerations rendered it desirable that all railways should be State-controlled; and in 1873 the Prussian Parliament resolved to take the first step towards nationalisation by rendering the State system sufficiently strong successfully to compete with private Companies, and voted large sums of money for the purpose of acquiring a considerable number of private Companies. The rapid growth of the country's trade, and the utility of a State-controlled system from a military point of view (it should be remembered that the Franco-German War was still very fresh in the memory

of the nation), rendered the idea of nationalisation very popular, and the process of buying out the private Companies steadily proceeded side by side with the building of new lines by the State. It may be mentioned that in every case the terms of purchase have been arrived at by friendly negotiation, and it has not been necessary for the Government to have recourse to the compulsory powers vested in it by the law of 1838 mentioned above. The course of events in Bavaria and Saxony has been substantially the same as in the case of Prussia, and at the end of 1910 there were only about 2280 miles of privately-owned line out of a total of about 37,000 miles.

When the German Empire was constituted in 1871, the federated States bound themselves to regard the railways as a common whole and to govern their administration accordingly. With this end in view the Prussian regulations governing working and traffic have been uniformly adopted, save where local considerations have necessitated their modification. These regulations must also be followed by the private Companies.

In Prussia the head of the State Railways is the Minister of Public Works, who is a permanent salaried official appointed directly by the Throne. He has considerable powers of administration, and also of expenditure within the yearly budget estimates sanctioned by Parliament. There are also various supervisory authorities—the principal being the *Bundesrath* and the *Reichs-Eisenbahn-Amt*. The first-named consists of representatives from the various States constituting the German Empire, and is responsible for the building, working, and transport regulations of the railways. The *Reichs-Eisenbahn-Amt* has its seat in Berlin, and is composed of a President

and members, all of whom are appointed by the Emperor. Its functions are to exercise general supervision, to see that the various constitutional regulations and enactments are carried out, and to attend to any defects or abuses. The detailed working of the railways is attended to by the *Deutsche Eisenbahn-Veikehrs-Verband.* This body is composed of various railway administrations, including those of the private Companies, and a general conference is held, usually once a year, for the consideration of the general traffic and tariff regulations, the voting power of the delegates being based on the length of line of the railway represented. Business to be laid before the conference is prepared by a standing tariff commission, consisting of various railway administrations, with a traders' committee composed of representatives of agriculture and industry, elected by the combined Chambers of Commerce and Agriculture. Executive control is facilitated by the division of the railway system into districts, Prussia having twenty-one, Bavaria five, and Saxony six. Each of these districts has its own staff and, as far as possible, its own rolling stock, and is regarded as a separate entity.

The railways of Germany are classified under three heads, viz., *Hauptbahnen* (main lines), *Nebenbahnen* (local and connecting lines), and *Kleinbahnen,* which may be described as the less important local lines and tramways. There are now no *Hauptbahnen* the property of private Companies, and it is in the highest degree improbable that concessions for their construction will again be granted to private enterprise; but there are a good number of private *Nebenbahnen,* and concessions for their construction are still granted, the State retaining a certain amount of control

in the matter of tariffs. The Companies are also bound to conform, under the discretion of the Minister of Public Works, to the general principles existing on the State lines, and to form renewal and reserve funds. Very few of the *Kleinbahnen* are State-owned, and then only when they act as an adjunct to a State-owned line; many, however, are the property of towns and municipalities. At the present time the concessions which are granted are practically confined to this class of railway, which also receives the benefit of what little State financial assistance there is. With the idea of encouraging their construction by private enterprise, the law of 8th April, 1895, provided for a sum of £250,000 by way of financial assistance, and this has been added to from time to time. Among the conditions under which such assistance is granted are that the projected line shall serve general public interests, that without such assistance it would not be possible to construct the line, and that the interested parties gratuitously provide for the acquisition of the necessary land, and that the local authorities also provide assistance. The State assistance never takes the form of a guarantee of interest, but as a rule is confined to the subscription of shares in the enterprise. Up to 1907, the total State aid actually granted amounted to £4,688,500, by far the greater proportion having been granted to lines principally serving agricultural districts. The free provision of land and the assistance of the local authorities are stipulated in order to ensure that the proposed line is really wanted in the locality, for if the local attitude were hostile to the building of the line such conditions would be difficult of fulfilment.

In general questions regarding tariffs the Prussian Railway Administration is assisted by a general advisory council and district advisory councils, the latter really forming the link between the public and the railway authorities. The members of the General Advisory Council are chiefly appointed by the Ministers of various Public Departments (Agriculture, Public Works, etc.), and the District Councils, of which there are nine covering the twenty-one districts, are composed of representatives of agriculture, commerce, industry, and forestry. Bavaria and Saxony have each a General Railway Council only. These bodies have no actual authority, but there is little doubt that their opinions carry weight.

The German tariff system is on a kilometric basis, varying, of course, as to whether the goods are to be transported by fast train or ordinary goods train, although certain classes of goods of a perishable nature are forwarded by fast train at ordinary goods train rates. In itself this system of rates based on the distance travelled is of great simplicity, but is complicated by the existence of a considerable number of special rates which have been introduced from time to time. The extent to which the trading community makes use of these rates is evidenced by the fact that in 1906 over 60 per cent. of the total amount of goods was transported at these special rates, and the percentage rarely sinks below 50 per cent. The object of these special rates, which include special export and import rates, is to further German industry and commerce, and they are granted solely with this end in view. By way of instance it may be mentioned that the rates through German ports are principally governed

by the rates through those of Belgium and Holland, which, of course, compete with the German ports. One of the best known special tariffs is the Deutsche-Levant tariff, the object of which is to induce traders to forward goods consigned to Levant ports via Hamburg instead of via Trieste, which would necessitate their passing over the Austrian railways. In spite of these numerous special rates, however, the whole of the German rates are published, which would be an impossible thing in this country. The German railway rates only include the transport of goods from one station to another, and this has given rise to firms known as 'Spediteurs,' who undertake the very necessary function of the collection and delivery of goods. The prices charged are fixed by agreement and do not vary in any one town, competition being consequently confined to excellence of service. As a matter of fact these firms, which are naturally experts in the matter of railway rates, undertake the entire forwarding of the goods, and in many towns have their own sidings and wharves at the stations. Passenger fares are also on a kilometric basis, and are among the cheapest on the Continent.

Taken all round, the German railway system can only be regarded as a highly efficient organism, and, in addition, it is one of the nation's most paying assets.

All evidence goes to show that nationalisation of the railway system has been a complete success in Germany. Of course, in this imperfect world, perfection is not to be looked for, and it is not here claimed that no complaints are ever made with regard to the working of the German State Railways; but from every side, be it from that of traders, foreign observers, or from different

sections of public opinion in Germany itself, one learns that every possible effort is made to serve the interests of the community in the best possible measure; and there is no doubt that German trade owes no small part of its marvellous success to the low rates charged on its network of internal communications, the railways, canals, and Post Office being all utilised to the utmost in one comprehensive scheme for the benefit of the whole community. Any one who in Germany suggested that the railway system should revert to Company control would be regarded in much the same way as one who, in the United Kingdom, suggested that the Post Office should be similarly treated—that is to say, he would be looked upon as suffering from a temporary fit of insanity. The following extracts from a paper read at a congress of the Royal Economic Society on 11th January, 1912, by Professor Hermann Schumacher, Professor of Economics at the University of Bonn, show the financial results that have attended railway nationalisation in Prussia :—

The result of all these economies is a magnificent one. The aggregate revenue of the Prussian State Railways has risen, during the twenty-five years from 1883–1908, from 536,000,000 marks to 1,910,000,000 marks, or from 84,503 to 52,795 marks per kilometre of railway track. Although the expenses, both of the staff and of the stock and plant, have increased very considerably (the cost per kilometre per axle was 5·43 pfg. in 1895 and 7·4 pfg. in 1908), nevertheless the gross working profits have increased from 222,000,000 marks in 1883 to 548,000,000 marks in 1908; so far, the maximum obtained was in 1906, namely, 698,000,000 marks.

These extraordinary working profits, which in the

aggregate amount, since the nationalisation of the railways, to a total of nearly 12,000,000,000 marks, have greatly benefited the Prussian State Railways. They enabled them to meet nearly the whole of the cost of construction of existing railways out of current revenue. In fact, one may say that all expenses necessary for the maintenance and preservation of railway property have been met out of current revenue. This continual capitalisation of the net profits has rendered unnecessary any writing off to make due provision for the maintenance of the property. The present aggregate value of the Prussian State Railways not only equals, but exceeds the whole amount of capital taken up on loan by the Prussian State for the purchase and development of the railway system. When, nevertheless, a redemption of the loan has taken place, and will be further increased in the future, that is done not for the preservation, but for the augmentation of capital. In contrast to the over-capitalisation of many foreign railways, the object aimed at and achieved has been the under-capitalisation of the Prussian State Railways. This is the solid foundation on which the Prussian railway finance is based.

But this does not exhaust the financial success of the Prussian State Railways. Although, as has been pointed out, it was by no means the original intention, railways have nevertheless become, under the combined influence of the above-mentioned factors, a considerable source of revenue to the State. A total of nearly 3,000,000,000 marks has been placed at the disposal of the Prussian Government for other State purposes out of the surplus of the railways. It is true that in consequence of the varying conditions of trade the figures are liable to great fluctuations, and therefore involve certain risks to the State, which have not always been met effectively by the Prussian financial administration, but this does not detract from the momentous advantage that, thanks to its

railways, the Prussian State was in a position to participate financially at once in the great rise of prosperity in German industrial life. Hence the fact that Prussian finance presents on the whole such favourable conditions is largely due to the Prussian State Railways.

The other important States of the German Empire, *e.g.*, Bavaria, Württemberg, Baden, which possess their own railway systems, are managed in the same successful way and on the same methods as those of Prussia, the railways of which, together with those belonging to the Grand Duchy of Hesse, are worked as one unit. The railways of Alsace-Lorraine are worked by a separate administration, the *Reichseisenbahnen* (Imperial German Railways).

Austria

Although the greater part of the railways of Austria are now owned by the State, this has not been the case for so very long, for up to twenty-two years ago more than one-half of the lines was operated by private Companies. The first railways date from 1832, and were the result of private enterprise. Government activity in the matter of railway construction was first manifested in the early forties, when definite regulations governing the granting of concessions to private individuals for the construction of railways were also laid down. In 1856 it became evident that the further building of lines by the State was not justified by the condition of the country's finances, and the existing State lines were made over to private Companies for ninety years, with a Government guarantee of interest. In 1873, however, the Government seriously commenced a policy of nationalisation, by again undertaking the construction of railways, and arranging for the gradual taking over of

the existing private lines, and at the end of 1909 the State owned or worked 18,495 kilometres of line out of a total of 22,377 kilometres. In granting concessions to private Companies it was often stipulated that on and after a certain date the State should have the option of taking over the line, the purchase price being the average of the results of the best five of the last seven years in the form of half-yearly payments or a capitalised sum, or 5 per cent. on the capital invested for the remainder of the period of the concession. In the majority of cases the strict terms of the concession have not been adhered to, the price paid having been decided by amicable arrangement.

Railways in Austria are classified under three heads, namely, main lines (*Hauptbahnen*), local lines (*Lokalbahnen*), and street and other narrow gauge lines (*Kleinbahnen*). It is extremely improbable that concessions for main lines will again be granted to private Companies, but concessions for local lines are still granted, although in these cases the municipalities are the principal shareholders, and the shares have gradually to be redeemed out of profits.

The majority of concessions for local lines contain arrangements for a guarantee of interest, and on the expiry of a concession the railway reverts gratuitously to the State, and it may be mentioned in this connection that the supervision of private lines is now much stricter than was formerly the case, for when the Northern Railway was taken over it was found that the Company, aware of the approach of nationalisation, had allowed the property to deteriorate. It may be added that, in addition to actually owned lines, the State works many

private lines either for its own account or for account of the proprietors. In the first case an annual rental is usually paid, and in the latter any profits are handed over to and any loss borne by the owners.

The Austrian State Railways are under the control of a Minister of Railways, who changes with the Government, although doubt is often expressed as to whether a permanent official would not be more desirable. The financial control is effected by the State Financial Department, the railway authorities assisting in the preparation of that part of the Budget dealing with railway estimates. The executive control is decentralised, there being thirteen divisions, each of which is made as far as possible autonomous. There is also a State Railway Council, the majority of the members of which are appointed by various interests, such as commerce, agriculture, but its influence is not great, and its replacement by district councils is likely.

The tariffs on the Austrian railways are somewhat complicated, by reason of the fact that private Companies, in drawing up their tariff schemes, have taken into account the circumstances peculiar to their own lines, within, of course, the maxima specified in the concession. The principle of tapering rates, *i.e.* decreasing rates in proportion to the length of the journey is, however, universal. There are many special rates to meet exceptional circumstances, including export rates for the purpose of promoting the export trade of the country. Speaking generally, the tariffs on the Austrian railways are certainly low, but there are various supplementary charges which have to be added—for instance, the tariffs do not include collection and delivery of the goods,

this being undertaken by special firms as in Germany. The law of uniformity also applies to passenger fares. Among special facilities granted to passengers may be mentioned season tickets, both for specified journeys and over the whole or part of the system, workmen's tickets, and on certain lines tickets enabling the holder to travel on payment of half of the ordinary fare. Return tickets have been abolished.

There is very little competition among the Austrian railways, the extent of the control over the private Companies exercised by the Government practically precluding this. There is, however, considerable competition with the surrounding countries, particularly Germany, the Austrian Government making every effort, by means of low tariffs, to induce traders in South Germany to ship their goods from Mediterranean ports instead of from Hamburg.

As regards the staff, in making the appointments preference is given to applicants who have served in the Army or Navy, and certain positions are reserved for non-commissioned officers. When a private line is taken over by the State, the agreement always contains clauses to the effect that the staff shall not be prejudicially effected by the transfer, and speaking generally, their position has been improved. There is an obligatory and contributory pension scheme.

From the financial point of view, it will be some years before Austria will be able to boast of any satisfactory surpluses from its railways, which are only gradually becoming co-ordinated. In a country like Austria, surrounded by powerfully-armed states, and in a position likely to render it the theatre of a life and death struggle, railways are not invariably constructed from the

narrow point of view of returning the highest possible amount of profit, but are often planned on military considerations. With the intense competition existing between Austrian, German, and Italian producers for the markets of Central Europe and the Near East, railway policy in both Austria and Hungary has been directed much more towards aiding home producers and manufacturers than to making profits, and in this respect the State has done a great deal, for there is no doubt that the low rates of transportation have been of material assistance to trade and industry, and in this respect the difference between a State-owned railway system and a Company whose sole consideration is necessarily profit, is so marked that this factor has been one driving the country into State ownership and operation of the railways.

Belgium

The first Belgian railways date from 1834, and were constructed and operated by the State. The results from a financial point of view, however, were so unsatisfactory as a consequence of the low rates charged, this being rendered necessary by the competition of the waterways, that in 1840 the Chambers refused to sanction further State expenditure. It therefore became necessary to enlist the aid of private enterprise, and concessions for the building of lines were accordingly granted to private Companies, although in some cases they were operated by the State when constructed. In order to encourage private enterprise to undertake the building of lines which were not likely to prove financially remunerative, the Government agreed to guarantee a certain minimum interest. There is now only one Company enjoying such assistance, viz., the Hasselt-Maeseyck Railway, which

was guaranteed a minimum interest of 150,000 francs for fifty years. Any surplus of net revenue over 200,000 francs per annum was to be handed over to the Government in repayment of any sums paid under the guarantee. The system of guarantee adopted was not always the same, but was adapted to the circumstances of the particular case.

The State lines were subjected to severe competition from the private companies, and this, combined with the fear that the railways might come under the control of foreign financiers, caused the Government to embark upon a policy of acquisition of the private lines, and between 1857 and 1906 twenty private lines were taken over. At the end of 1910 the length of the Belgian railways was 2915 miles, of which 2697 miles were owned by the State. There were also 2697 miles of light railways.

Concessions for the building of private lines were granted under conventions between the Companies and the Minister of Public Works. These conventions specified the amount payable by the Government by way of guarantee of interest, and give the Government the right to take over the line at any time after the expiration of the first fifteen years of the concession on payment of an annuity for the remainder of the concession, such annuity being based on the average net receipts of the best five of the previous seven years. Should the line be taken over before the expiration of twenty-five years the annuity is increased by 10 per cent. There is also a 'Cahier des Charges,' or set of specifications detailing the conditions under which the line was to be constructed and worked. At first each convention had its own 'Cahier des Charges,' but in 1866 a

standard form was drawn up. The articles in the 'Cahier des Charges' regarding the taking over of the line by the Government on the expiration of the concession are as follows :—

Article 56. At the date of the expiry of the concession, the railway and appurtenances must be in perfect repair, and to this end, without prejudice to the conditions of Article 25, the Department of Public Works may appropriate the receipts for placing the line and appurtenances in a proper state of repair should the concessionaire during the last five years of his contract fail to fulfil all the terms of his agreement.

Article 57. From the date of the expiry of the concession the Department of Public Works shall be invested with all the rights of the concessionaire and shall enter into immediate possession of the line and plant. The price of the plant at expert valuation shall be paid over to the concessionaire.

As already mentioned, the Government has followed a steady policy of acquisition of railways, and since 1870 no concessions for the construction of lines by private enterprise have been granted. The last line taken over was the West Flanders Railway, which was purchased in 1906, although the line was worked by the Company on behalf of the State for two years longer. This railway was the result of several concessions, and disputes arose as to the joint use of lines and stations. It was also very necessary that various double tracks should be laid down in connection with the express services between Belgium and France, which the Government had not the power to force the Companies to do. The Government therefore decided to exercise its right of expropriation. Under the terms of the convention the purchase price was fixed at forty-three

annuities of 2,174,761 francs, and one of 565,438 francs. The price of the rolling stock, tools, and plant was fixed at 3,527,651 francs, this figure being subject to revision, and that of the stores and goods according to a valuation by experts. The annuity was to be applied to the interest on the outstanding debentures and shares of the Companies and to their redemption.

In connection with the Belgian railways there is a very extensive system of light lines known as *chemins de fer vicinaux*. These lines, which penetrate to the most remote districts, and in most cases follow the roads, have proved invaluable as a stimulus to industry. At first, private enterprise proved shy, for the possibility of a good return on capital invested in these light lines was somewhat remote. The Government, therefore, in 1881 appointed a commission to go into the matter, and as a result a 'National Society' was formed. In granting concessions for the construction of light railways, this society is always given the preference. The capital for each line is kept entirely distinct from that of other lines, and one-third at least must be subscribed by the State and the communes interested. Private subscribers have to pay cash, but the subscriptions of the Government and the communes are made in the form of annuities which are reduced by the amount of any dividend due, the capital for immediate requirements being obtained by the issue of Debentures guaranteed by the State and redeemable within ninety years. The majority of these lines are not worked directly by the National Society, but are leased to private Companies—mostly for thirty years, the Society retaining the option of cancelling the lease at the end of fifteen years. Tariffs on these

lines are on a kilometric basis, but vary according to circumstances, the Government's policy being to avoid any possible competition with the State-owned full-gauge lines. Practically the whole of the share capital of the Companies owning and operating these light railways is owned by the State, the provinces, and communes.

As might be expected from the flat nature of the country, Belgium has an extensive system of canals and waterways. The canals are for the most part the property of the Government, which exercises considerable control, and there is not so much competition between them and the railways as might at first sight be supposed. As a matter of fact, the Government encourages the forwarding by water of those classes of goods for which this means of transport is suitable, the apparent loss from this diversion of traffic from the railways being compensated by the benefits accruing to the nation as a whole. The canals are navigated by private Companies and individuals, who pay toll for the privilege, although the amount received from this source does not nearly approach the cost of their upkeep. The Navigation Companies fix their own rates, but these are, of course, governed by competition between the various Companies. The waterways are really a most valuable adjunct to the railway system, and this is very evident from the congestion of traffic which occurs on the railways when they become frozen. The Belgian Government has spent enormous sums on the development of its water communications, and this policy is diametrically opposed to that of the Railway Companies in this country, which practically control the canals, and deliberately throttle them in order to benefit their own traffics.

The responsible head of the Belgian State Railways is the Minister of Railways, Posts, and Telegraph, who submits to the legislative chambers an annual report showing the general condition of the system, particularly the new tariffs, and containing numerous statistical tables. The annual Railway Budget is also presented by this Minister, and when it is under discussion in Parliament certain question days are appointed which constitute the principal means of obtaining the redress of grievances and improvements in the service. There is also a railway council, the functions of which are advisory and deliberative. The administrative control of the railways is in the hands of a general secretary, assisted by an administrative secretary, and a staff of inspectors, who see that the laws are observed and that the service is efficient and conducted with the utmost possible economy. The general working of the railways is of a highly specialised nature, each department being divided into bureaux, each with its particular function, such as staff matters, accidents, rolling stock, claims, inquiries, etc. The exact position of the officials as to rank and promotion is shown by a list circulated annually, which is of value as making for impartial treatment. Should no opportunity arise for granting a deserved promotion, the official affected may, after six years, obtain the salary of the next highest grade, or an increase of one-tenth. With the idea of ensuring efficiency, premiums are granted to those employees directly concerned with the running of the trains. Among other benefits may be mentioned the granting of cottages along the line to married employees and their families at a nominal rental, the granting of fortnightly free tickets to clerks

and shop-assistants, in order to enable them to visit their families, and a non-contributory pension scheme. Pensions are granted to employees after thirty years' service on their attaining their 66th year, and to any employee rendered unfit for work by ill-health, provided that there is at least ten years' service to his credit. Employees incapacitated by accident in the performance of their duties, however, are entitled to a pension, irrespective of age or length of service. The amount of the pension is calculated at one-sixtieth of the average wage of the employee for the last five years of service, for each year of service, although in the case of engine-drivers, firemen, guards, and brakesmen the proportion of the average salary is one-fiftieth.

Belgium, with its great port of Antwerp, is one of the gates of Europe, and if it is to retain this position it is obvious that its railway rates must be kept as low as possible. This is fully recognised by the Government, and the immediate result of the re-purchase of the railways by the State was a general reduction of rates, the railway system being regarded not so much as a direct revenue producer as a most important factor in the development of the commerce and industry of the country. The tariffs on the Belgian railways are on a strictly kilometric basis, and are to all intents and purposes uniform. There is, however, a large number of special and import and export rates, and, in arrangement with certain shipping companies, various combined rail and shipping tariffs. Passenger fares and goods tariffs in Belgium are probably the cheapest in the world, and this in spite of there being very little competition, by reason of the

fact that nearly the whole railway system is owned by the State. As mentioned above, however, it is of vital importance to Belgium as a nation that she should continue to be one of the gateways of Europe, and it is therefore necessary that railway rates should be kept at the lowest possible level. The State Railway Administration is always prepared to consider applications for the reduction of a rate, but such applications are not frequent, the rates in force appearing to give universal satisfaction.

With the exception of certain classes of goods and conditions of transport, the railways are responsible for loss and damage from the time of acceptance until delivery, as well as any exceeding of the fixed periods for forwarding. In the latter case, it is not necessary for the claimant to prove that he has suffered any loss by the fact of late delivery. Consignors can indemnify themselves to a greater extent upon payment of a small premium, and this is a feature which is much taken advantage of and which is also in operation on the German State Railways. It does not appear that it is often necessary to claim such insurance, but the fact that goods are insured means that they are better looked after. Altogether, the system in force and its working appears to give all-round satisfaction, and the Government often exceeds its obligations in order to ensure its efficiency.

As already mentioned, passenger fares on the Belgium railways are probably the cheapest in the world. A feature much taken advantage of by tourists is the issuance of tickets available over the whole system for five or fifteen days, the third-class fares being 13 francs and 23·50 francs respectively. Ordinary season tickets,

weekly tickets for workmen, and various cheap excursion tickets are also issued. The service of passenger trains is good, particularly between Brussels and Antwerp, these cities being connected by a considerable number of non-stop trains. The excellence of the service between Brussels and the great manufacturing centre of Liège also deserves special mention.

Denmark

This country, by reason of its peculiar formation, its scattered population, and the nature of its industries, did not at first appear to offer any scope for the railway, and it was not until this newly invented mode of conveyance had made considerable headway in other lands that its possibilities began to be realised. Denmark is not only small in extent, but is divided by the sea into small portions, so that in practically every part it was only necessary to convey goods a short distance on land after delivery from the ship. There were no great industries or manufactures, the population was spread more or less over the whole country, and, with the exception of Copenhagen, there were no large towns. Moreover, it was thought that the existing natural conditions would prove an effectual bar to the creation of a through transport route for the commerce of other nations. Experience gained by other countries, however, had shown that the provision of easy means of transport was distinctly advantageous for short as well as for long distances; it was therefore urged that notwithstanding the impossibility of linking up the various portions of the country, the railway would undoubtedly bring these into closer communication with the capital. A quicker and more certain connection with other countries would in any case be established, and it was not at all

improbable that a new route might be opened up from Norway and Sweden through Denmark to other parts of Europe. An additional argument in favour of the railway was the prospect of bringing into cultivation unused tracts of land, especially in Jutland.

At last public opinion ripened, and Denmark in 1847 began to build her first railway. Up to 1862 the rate of progress was very slow, not more than 170 kilometres of line being laid during the fifteen years. After that date, however, there was a burst of activity, which continued until the railways of Denmark had reached the same stage of development as in the majority of other European countries. As was mostly the case elsewhere, the first railways were promoted by private Companies, but later on the principal lines and many of the private ones became State property.

The first State line to be constructed was the Jütsch-Fünsche Railway, commenced in 1861. Of existing private lines the State acquired the Silkeborg-Herning Railway in 1879, the Seeländischen Railway in 1880, and the Ostjütsche Railway in 1881, with the result that in 1882 no less than 85·4 per cent. of the total length of lines was owned by the Government. Since that date several private local lines have been constructed, and the percentage of Danish railways in private hands has increased from 14·6 to 41. There were, in 1910, 1250 miles of State and 884 miles of private railways in the country, making a total of 2134 miles.

The capital which the State has applied to the construction of new lines and the purchase of private ones had attained, up to March, 1911, the figure of £14,500,000, and the net receipts

for 1910–11 amounted to £183,300 as against £150,000 for the previous year; the increased prosperity of the country produced thereby is apparent.

The control of the Government, as also of the private, railways falls within the province of the Department for Home Affairs, which includes six special Commissioners, two for Seeland and islands belonging thereto, two for Fühnen, and two for Jütland. These Commissioners are entrusted with matters concerning the interests of the State and of the inhabitants as regards works of construction, selection of routes, acquisition of lines, and the erection of stations, bridges, aqueducts, etc. At the head of the railway administration are a managing director and four superintendents, one of the latter having charge of the traffic, one of the track, one of the engineering section, and one of the legal business.

The Danish railways probably head the world in the matter of safety, and are admirably managed.

The ferries of Denmark are closely associated with the railways. The first of these was opened between Jütland and Fühnen in 1872, and the second between Seeland and Fühnen in 1883. Later on others were opened between Seeland and Falster, Korsor and Kiel, and Gedser and Warnemunde. Bridges were also built over the Limfjorden in Jütland and between Seeland and Masnedo.

Sweden

It was not until several years after the adoption of railways by other European States that Sweden began to take advantage of this means of transport, which has proved so indispensable to the successful development of a country. The reasons for the delay are not

difficult to find. Public opinion throughout the country was unmistakably against railway construction, it being generally recognised that so poor a nation could not think of embarking on works requiring the expenditure of millions of capital. Sweden had no national debt and was not at all desirous of incurring one. The country was but sparsely populated. There were no particular manufacturing industries to be served, and it was considered that the timber and mining industries were quite incapable of bearing the expense of transport by rail. Furthermore, an obstacle existed in the natural formation of the land, which although not actually mountainous, is very rocky and contains numerous valleys and rivers. Finally, the natural trade routes afforded by the sea and rivers, both in winter, when frozen over, and at other seasons of the year, seemed quite sufficient to meet all demands.

Some of these objections were not without justification; nevertheless the conditions obtaining in the country called for the construction of railways. Sweden was by no means poor; it had wealth in its soil and forests which only required cheap means of transport to enable the country to enter into competition with foreign nations. Moreover, the cheap conveyance of goods from place to place could not fail to be beneficial to the inhabitants of the country, especially in years of scarcity. The railway, it was urged, would bring the same advantages to Sweden that it had to other lands, viz., greater trade, increased production, enhanced value of property, improved national welfare, etc., besides adding to the means of defence.

In 1845 the first concession was granted to a private Company, and the work was slowly

proceeded with. During the next twenty years, however, very little progress was made, but an era of activity then set in, and construction was carried on at a greatly accelerated pace.

As in Denmark and Norway, the earlier railways were promoted by private Companies, but, as in almost every other country, it was soon realised that the State would have to take these over, or at any rate the principal lines. The first railway actually constructed by the State was commenced in 1856.

All railways in Sweden are under the control of the Department for Home Affairs, the chief administration consisting of two branches, one for the construction and the other for the general management. At the head of the Construction Section are a chief and two office superintendents, and at the head of the Management Department are a general manager and four superintendents (one each for traffic, permanent way, engineering, and office). It is interesting to note that the necessary labour for the construction of railways has hitherto been comparatively cheaply obtained, the army having been largely employed for this purpose, partly owing to the impossibility of getting a sufficient number of workers without drawing them from other occupations, and partly because it was felt that the railways were closely connected with the defensive works of the country.

The development of Swedish railways during the first twenty-five to thirty years of what may be termed the railway era compares well with the progress made by other countries. In the first nine years of this period, the State devoted £4,000,000 to this purpose, and in the next nine years about £4,500,000. Altogether up to 1882, about £22,000,000 had been spent on railways.

At the end of 1911 the State possessed 2500 miles of lines, which added to the 5312 miles of private lines make a total length of 7812 miles. The country has indirectly benefited enormously by the rapid growth of the railway system, as for instance in the development of new industries, by increased profits from natural products, and by the greatly improved conditions for defence.

As regards financial results, in the Consular report for the year 1913 on the Swedish Budget, it is stated that the net revenue from State enterprises (including of course railways) largely exceeds the interest on the public debt, the figures being—

Debt.	Interest on Debt.	Net Revenue from State Enterprises.
£32,000,000	£1,300,000	£2,000,000

Norway

On account of its natural conditions, its climate, and the distribution of its inhabitants, this country seemed little suited to the construction of railways. The difficulties presented by mountains with narrow valleys and numerous waterfalls promised to make any works of this nature extremely expensive, and in addition to this it was anticipated that the severe climate, long winters, and trouble produced by frequent avalanches would add largely to the cost of maintenance. The cost of construction and upkeep of railways is not so significant if a brisk traffic can be relied upon, but this condition could not be looked forward to in Norway with any assurance. The population was spread over the whole of the country, and even the most inhabited region was but poorly peopled. There were no large towns to serve as centres for brisk passenger traffic, the urban population being divided among numerous small

towns principally on the coast, where competition with shipping would be met. For these reasons very little passenger traffic could be expected, and as there was no large surplus of agricultural products which required conveyance from the interior to the coast, railways for the transport of goods appeared to be unnecessary. There were no mines producing minerals to any appreciable extent, and there were no large factories requiring the conveyance of raw materials or manufactured goods. The existing transport routes along the rivers and sea coast were quite sufficient to meet the demands of the chief products of the country, namely, fish and timber. Finally, the utilisation of Norwegian railways for the carriage of general commerce could not be expected, except in the case of lines in the most northern part of the country where the ice-free ports form an attraction to the neighbouring provinces of Sweden. The introduction of the railway, therefore, did not appear to offer any direct advantages; nevertheless a desire existed for this excellent modern means of communication. It was argued that by means of trunk lines the different parts of the extensive country could be brought into closer connection, that it would be possible to establish quicker communication with foreign countries, and that the development of the country itself might be furthered. There was also the prospect that products valueless at the place of production might, if cheaply transported to other places, command a good market. The value of property would probably increase, and the enormous mechanical power which the land possessed in its waterfalls could perhaps be utilised more than formerly in manufacturing industries generally.

Increased exchange of goods would be accompanied by larger receipts from customs duties; various articles might be made from wood on the spot where the timber was grown, resulting in a large addition to the national income.

The extraordinarily rapid development of the country which had already begun, encouraged the hope that with the aid of railways still further advance would be made. The desire for railways was therefore present, and in spite of all opposition a concession was granted to a private individual in 1845. This first railway was to have run from Christiana to Mjösen, and was to have been free of cost to the State. It was, however, soon apparent that a private Company could not be formed and that the State would have to reclaim the concession. The Government thereupon decided not to grant any more concessions unless the interests of the State were in every respect securely guaranteed. The railways, as already stated, could not as a rule be expected to produce large direct profits, so that it was necessary to arrange that a private concession might easily raise the required capital. In 1851 a Company undertook the construction and management of a line from Christiana to Eidsvold, the Government taking one-half of the shares, which were subsequently disposed of to the communes and private persons. This condition of things, however, soon gave rise to dissatisfaction. The construction proved far more costly than had been expected, and the State had not so much control over the management as was desirable. This main line remained the only private railway in Norway, for in 1857 the Government decided to undertake the construction of the Kongsvinger Railway, and the lines

from Trondhjem to Stören, and from Hamar to Grundset, capitalised partly by the State and partly by private persons. This method which has been followed with all subsequent lines (with a modification, however, in the case of the line from Christiana to Drammen), has irrefutable advantages, and it is largely responsible for the rapid extension which took place in the succeeding years. Districts concerned often made considerable sacrifices in order to obtain a railway service, whilst the cost to the State was lessened without the latter losing any of its control over the construction and management. But the system had also its faults, owing to the influence private investors were able to exercise over the construction of lines and the selection of routes where several lines were contemplated. This drawback, however, was of no importance to the railways as a whole, but occasionally difficulties arose, and it led to that curse of individualism, the piecemeal construction of lines without any preconceived plans or co-ordinated ultimate aim.

The railways were at first under the administration of the Treasury, but in 1846 they were transferred to the Department for Home Affairs, and a committee of technically trained men was appointed. In 1865 this committee was dissolved and a railway director was appointed, who in conjunction with two non-technical men appointed by the Home Department form the so-called State Railway Administration.

Since 1854, when the first railway was opened, considerable development in this direction has taken place, and many advantages to the country generally have accrued. Norway now possesses 1917 miles of railways, of which 1635 miles are State-owned.

The capital applied by the State to this purpose amounts to about £5,000,000, which would be increased by the proposed new lines to about £11,000,000.

In 1911 the receipts from the State lines amounted to £1,182,000 against an expenditure of £882,600.

CHAPTER XII

RAILWAY NATIONALISATION IN OTHER LANDS (CONTINUED): FRANCE—SWITZERLAND—ITALY

France

The French railway system is the antithesis of the system in the United Kingdom, for its dominant characteristic is the scientific way in which it has been laid down. The actual State system did not commence until 1878, by the purchase of a number of local lines, but at the very beginning, before any railways were built, an extensive survey of the whole of the country was made and plans for a general system covering the whole of France were prepared.

The first concessions for railways were granted in 1833, and in 1842 an extensive policy of railway construction was commenced, under which the State was to build the permanent way (except laying the rails) and the bridges and stations, while the companies to which concessions were granted had to lay the rails and provide the necessary rolling stock. Concessions were only granted for ninety-nine years, *and on their expiry the railways revert to the State*, which would purchase the rolling stock and the rails. Construction was proceeded with actively after this, and between 1852 and 1857 the majority of the railways

which had been constructed were merged into six big systems, known as the Northern Railway, the Eastern Railway, the Paris-Orleans Railway, the Paris-Lyons and Mediterranean Railway, and Southern Railway, and the Western Railway. In 1857 a check was caused by the disinclination of the public, which had become alarmed by the large expenditure on branch lines, to provide the necessary capital. The State thereupon abandoned the old system of encouraging railway construction by granting subsidies, and laid down a general scheme of guarantee of interest, of which the principal points were as follows: The State guaranteed interest at the rate of slightly under $4\frac{3}{4}$ per cent. on all capital put into the construction of new lines, while the net receipts of the old lines, after providing for their own debenture interest and sinking fund, were to be used to complete the interest on the capital used in the construction of the new lines, the State guarantee not being sufficient, and to pay a dividend to the shareholders at a rate not less than that of preceding years. Should there then be any surplus revenue from both the old and the new lines, such surplus was to be handed over to the State in repayment of any sums paid under its guarantee of interest, as such payments under guarantee were only to be regarded as loans.

In 1883 the State found itself in financial difficulties, and in order that the programme of railway construction which had been laid down should not be interrupted the conventions under which the great Companies are now working were established. The following is the Article providing for the guarantee of interest, and is taken from the convention between the State and the Western Company:—

When the receipts of a financial year are insufficient to cover the payment as set forth in Article 9, besides the share of the gross receipts reserved to the shareholders, and which is hereby fixed for the future at not exceeding 11,550,000 francs, the State will pay the difference by way of guarantee of interest. Should the gross receipts in any one year exceed the share of profits which are reserved to the shareholders, such surplus will be used for the repayment of the State advance and simple interest at the rate of 4 per cent. per annum. Any further surplus shall be expended on the improvement of the lines as stated in Article 11 hereafter.

The relations between the State and the Companies are regulated by a series of specifications, which date from the years 1857–59, and, unlike the conventions, which differ on certain points, are common to all the great Companies. The wording of the Article dealing with the right of the State to purchase a line before the expiry of the concession is as follows :—

At any time after the expiry of the first fifteen years of the concession the Government shall have the right to purchase the line. In order to arrive at the purchase price, the net receipts of the seven years which shall have preceded the year in which the purchase is to be effected will be taken, the receipts of the two worst years will be subtracted, and the sum divided by five, so as to obtain the average price on the five best years out of the last seven. The result of such calculation will show the annuity to be paid by the State to the Company during each year for the remainder of the concession. In no case, however, shall the amount of this annuity be less than the net receipts of the last of the seven years.

It should be mentioned that a Company has the right to demand that its line shall be valued

according to the amount spent on its construction and not according to its net revenue.

These specifications, or *Cahier des Charges*, to use the proper title, contain maxima governing passenger fares and goods rates, and also provide for reduced rates for public services, and the free carriage of State inspectors and postal officials. The *Cahier des Charges* is, in fact, a set of rules and regulations governing the relations between the Companies and the State, and in order that its dictates shall be followed, there is of necessity a somewhat elaborate system of State control. This control is exercised by seven departments attached to the Ministry of Public Works, there being one department for each of the great Companies. As regards the small lines, their geographical position determines under which department they shall come. Each department has its director, and is chiefly concerned with the technical side of the railways. In addition there are two centralised controls, the commercial control and the financial control. The scope of the commercial control is sufficiently indicated by the following paragraph from Article 1 of the Presidential Decree forming the Department :—

> The study of the tariff and all economic and commercial questions relating to railways will be entrusted in the future to a director of commercial control over all the principal railway systems of general interest.

The financial control, the necessity of which is obvious, is effected by inspectors appointed by the Ministry of Finance, who audit the books of the Companies and generally regulate payments by the State to the Companies or vice versa. There are also various advisory bodies, of which

the principal are the General Council for Bridges and Roads, the Commission for Auditing Railway Accounts, the Technical Advisory Council, and the Railway Advisory Council. The functions of the first three are sufficiently indicated by their names. The province of the Railway Advisory Council is shown by Article 1 of the Presidential Decree by virtue of which it was formed :—

> The Railway Advisory Council shall give its opinion upon the following questions :—
>
> 1. Approbation of tariffs.
>
> 2. Interpretation of (*a*) laws and regulations concerning the commercial working of railways, (*b*) concessions, (*c*) the clauses of the 'Cahier des Charges.
>
> 3. On the relations of the various Railway Administrations among themselves, or with concessionaires of sidings.
>
> 4. Contracts passed by the Railway Administrations and submitted for the approval of the Minister.
>
> 5. Authorisation for the issue of debentures.
>
> 6. Requests for the construction of stations or halts on lines open to traffic.

The composition of this body is very varied, including, *inter alia*, Senators, representatives from the various Ministries, representatives of various industries, and representatives from the workmen and officials of the Companies.

As mentioned above, the actual State system dates from 1878. The old system comprises 1855 miles of line, and, roughly speaking, forms a triangle, the points being Chartres, Nantes, and Bordeaux. Now that the Western Railway has been acquired, the total extent of the State system is 7425 miles. In 1900 the return on the capital which had been put into the system was just under 2 per cent., while the estimated return

for 1912 is just under 1 per cent. The highest rate obtained was in 1903, when the return was nearly 2¼ per cent. The acquisition of the Western Railway is kept fresh in people's minds by the activity of opponents of nationalisation, who lose no opportunity of citing it as a marvel of mismanagement and inefficiency. The following extract from a recent Blue Book on foreign railways, however, hardly seems to justify these adverse criticisms :—

> But it should be mentioned that from our inquiries at points on the Western Railway, we ascertain that the passenger trains are running more punctually than in the days of the Company, and that there is a tendency to betterment also in the way of goods transport. The State Administration, it appears, is considerably stricter than the old Company in claiming for warehousing and demurrage, and inspectors are to be found travelling about the lines, hastening the station operations and endeavouring to obtain a greater punctuality throughout the system.[1]

The reasons which led the Government to exercise its right of purchase of this line before the expiration of the concession were that the Company had found it necessary to have recourse to State assistance to a very large extent, and it became increasingly obvious that it would not be able to repay the sums advanced, which, as mentioned above, are only regarded as loans, and that the Company's management was so atrocious that the name of the *Ouest* system had become a byword throughout France. It was therefore decided to take over the line as from 1st January, 1909, and as the concession will not expire until 1957, the Government will pay the Company annuities until that date. The first year's

[1] See also page 223

working of the line by the State showed a surplus of receipts over working expenses of £3,129,600, but as the annuity to the Company and charges on capital absorbed £4,572,000, there was actually a deficit of £1,442,400. Each subsequent year has shown an increasing deficit, that for 1912 being estimated at £3,012,080.

It has already been stated that the *Cahier des Charges* specifies the maximum fares and goods rates which can be charged, but even within the prescribed limits the rates have to be submitted for confirmation. Speaking generally, the rates at present are considerably below the maxima laid down. One important principle of French tariffs is that no preferential treatment shall be granted to any private enterprise. There are, however, numerous special rates with the object of assisting local industries, and also special export and import rates to enable French ports to compete with foreign ports. Special facilities are granted, among which may be mentioned ordinary, traders', and family season tickets, weekly third-class season tickets for workmen and employees receiving less than 2000 francs per annum, club tickets, and workmen's tickets. These last are granted at very reduced rates, and are certainly unprofitable to the Companies. It cannot be said that railway rates in France are distinguished by their simplicity, and it is the practice of merchants when forwarding goods to mark on the consignment note, 'At the lowest rate.' This has given rise to firms who make it their business to check the rates charged by the Railway Companies, and also to recover any overcharge.

As a result of the scientific way in which the whole French system was mapped out before

being built and also of agreements between the Companies themselves, there is very little competition between the various Companies. The rule that goods must go by the shortest available route has, however, caused Companies to divert traffic from other Companies by building shorter lines. A case of this nature arose between the Orleans Company and the Paris-Lyons-Mediterranean Company, but ultimately resulted in a pooling agreement. As regards competition with canals and waterways, the practice of the Ministry only to sanction rates which are applicable to the whole of a Company's system is a fairly effective preventive of this. Transport by water is, of course, very much slower than by rail, but with many classes of goods, such as coal and grain, this is no consideration at all, and as the Ministry aims at keeping the railway rates about 20 per cent. higher than the rates by water, the canals and rivers are largely used.

In 1908 there were 14,200 persons employed on the State Railways, but now that the Western Railway has been taken over the figure is very much larger. There is a fixed scale of salaries, and there are also certain annual distributions to employees deemed to have contributed to the efficiency of the system. Such distributions may not, however, exceed 2 per cent. of the gross earnings for the year. Various committees are appointed to see that the regulations regarding conditions of labour are followed; the staff is represented on these committees, and also on the committees dealing with advancements and bonuses. There is also a State subsidised pension scheme, a deduction of 5 per cent. being made from the salary of the employee for this purpose.

Speaking generally, the French railway system is one of the best in Europe, especially on the technical side, and a glance at a railway map of France shows that it has been laid out in almost ideal fashion. In this case Governmental interference and regulation has been productive of the happiest results, and when the concessions expire, which they all do between 1950 and 1960, the nation will come into an asset the value of which would be sufficient to pay off the National Debt. There are, of course, complaints, the chief being the long period allowed the Companies for the transportation of goods by slow goods train and the shortage of wagons.

Switzerland

The first Swiss railway was opened in 1847, and ran between Zurich and Baden, although a foreign line connecting Strasburg with Basle had been opened three years previously. The cause of the backwardness of Switzerland in the matter of railways was due to the engineering difficulties and to the difficulty of getting the various Cantons to work in unison before the Constitution of 1848. Further, the country was provided with a splendid system of roads, but the need of an adequate railway system made itself felt, and in 1849 two English experts, Messrs R. Stevenson and H. Swinburn, were invited to go into the whole matter of providing the country with a system of railways. These gentlemen, who had all the experience of their own country to guide them, accomplished their mission with great skill, and drew up plans of a network of railways for the country. The financial side of the matter had next to be considered. The Commission which had been established pronounced in favour of State lines, but the Swiss Parliament was of another way of thinking,

and in 1852 passed a federal law concerning railways which gave the various Cantons the right to construct lines themselves, or to grant concession for their construction with the approval of the federal authorities, who would also exercise a sort of general supervision.

This law gives the Government the right to acquire the private lines on certain conditions, which are shown in the following extracts from the law :—

> The Confederation has the right to take over concessioned railways, with all material, building, and supplies at the expiration of the 30th, 45th, 60th, 75th, 90th, and 99th year reckoned from 1st May, 1958, and at the end of the concession provided that 5 years' notice of such intention be given to the Company. . . . In the event of the Government exercising its right at the end of the 30th, 45th, or 60th year, 25 times the average net profits for the 10 years immediately preceding the announcement of the Government's intention to acquire the line shall be paid to the Company; at the end of the 75th year, 22½ times, and at the end of the 90th year, 20 times such average, but in no case shall the amount paid be less than the amount of capital originally put into the Company. . . . In the event of the line being acquired at the end of the 99th year or at the expiration of the concession, the amount paid therefor shall be probable cost of then constructing and furnishing the railway.

1471 kilometres (919 miles) were constructed by private Companies under the law of 1852, but conflicts of interest were frequent, and in 1872 the right of granting concessions and of renewing those already granted by the Cantons was transferred to the Central Government. The State Railways of Switzerland may be said

to date from this breaking down of the Cantonal barriers. Under the law of 1872 the Articles of Association of the Companies, the plans of their lines, and their rules and regulations had to be submitted to the federal authorities, and a special department was established to deal with railway matters.

Railway construction now proceeded actively, but between 1876 and 1878 a crisis occurred and one or two Companies had to go into liquidation, while others were threatened, the Government having to come to their assistance with financial aid. A period of prosperity followed the opening of the Gothard and the Arlberg lines, however, and further concessions were granted, many for mountain railways, and these naturally helped to swell the traffics of the ordinary lines. The actual taking over of the lines by the State dates from 1897, when the recommendation of the federal council in favour of the taking over of the principal railways was adopted by Parliament and confirmed by the referendum of the 28th of February, 1898, there being 386,000 votes in favour and 182,000 against. In their recommendation, the Federal Council drew attention to the advantages of having all the railways under one administration, among which would be a great saving in expenses, and the increased traffic facilities which it would be possible to introduce as a result of a policy of general standardisation. Stress was also laid on the importance of not allowing the lines to come under the influence of foreign capitalists, which would certainly result in national interests being subordinated in favour of direct financial results. In 1900 the necessary Government Departments and District Councils were created, and a start

was made by the taking over of the Central Railway. Three other lines, the Nord-Est, the Union Suisse, and the Jura Simplon were acquired in the three following years, and the last great line, the Gothard, was taken over in 1909.

All these lines have been taken over on the terms prescribed by the law of 1852, and it is interesting to note that two, the Nord-Est Railway and Jura Simplon Railway, have cost the Government the amount of their capital, while for the remaining three more had to be paid.

The following extract from the prospectus of the loan issued at the commencement of 1912, in connection with the taking over the Gothard Railway, will be interesting :—

The Federal Law of the 15th of October, 1897, concerning the acquisition and the working for the benefit of the nation, and the organisation of the administration of the Federal Railways for the purpose of the nationalisation of the five principal Swiss railways, has been consummated by the purchase of the Gothard Railway. By virtue of Articles 8 and 12 of the above-mentioned law the accounts of the Federal Railway are kept apart from those of the other branches of the Federal administration, and are drawn up in such a manner that the financial situation of the railways can be exactly ascertained at any time. The net profits resulting from the working of the railways is in the first place devoted to the payment of interest and the redemption of the railway debt. Of the surplus 20 per cent. is paid into a special reserve fund kept distinct from the other assets of the Federal Railways until this fund shall have attained, with capitalised interest, the sum of 50,000,000 francs. The surplus of 80 per cent. is to be employed for the good of the railways, to

complete and improve the conditions of transport, and principally to reduce proportionately goods, tariffs, and passenger fares, and to extend the system, secondary lines in particular. In the event of the receipts, including the amount carried forward from the profits of the preceding year, not being sufficient to cover working expenses, the sums required for interest and redemption will be taken from the reserve fund.

Payment for the railways taken over is made either by the transference of the debt obligations of the old railway companies to the Swiss Confederation, or by creating fresh loans issued directly by the Confederation. The money required for extensions and periodical new construction is also furnished by these Federal railway loans in the event of the sums accumulated from the above-mentioned 80 per cent. of the surplus, or from other sources, proving insufficient. All the obligations thus issued constitute a direct debt of the Federal Railways within the meaning of the legal prescriptions cited above, and the Swiss Confederation, with all its assets, is responsible therefor.

At the end of 1911 the total consolidated debt of the Federal Railways, after allowing for the amount to be redeemed on account of 1911, amounted to 1,337,563,350 francs, making, with the amount provided by the Government 4 per cent. loan destined for the payment of the balance of the purchase price of the Gothard Railway (83,750,000 francs), a total of 1,421,313,350 francs, representing an annual charge for interest and redemption of 56,751,309 francs. It should be noticed in this connection that, in accordance with the law of the 15th October, 1897, the redemption of all the Federal Railway loans must be effected within 60 years at the most, dating from the creation of each loan. From the coming into existence of the Federal Railways up to the end of 1911 50,054,960 francs have been redeemed.

The results of working for the years 1906–10 are shown by the following table :—

Year.	Average length worked in kilometres.	Working revenue.	Expenses.	Balance.	Coefficient of working expenses.
		Frs.	Frs.	Frs.	
1906	2454	132,837,572	87,407,906	45,429,666	65·8
1907	2463	142,934,991	96,450,388	46,484,603	67·5
1908	2463	142,129,314	100,958,946	41,170,368	71
1909	2648	165,540,622	111,550,171	53,990,451	67·4
1910	2742	187,604,053	117,130,671	70,473,382	62·4
1911	2744	196,511,897	124,647,775	71,864,082	63·4

The administration of the railways is kept entirely distinct from the administration of the rest of the country's affairs.

The tariffs on the Swiss Railways are on a kilometric basis. Owing to the mountainous condition of the country there are few navigable rivers, and the railways suffer but little from competition in this direction. There is, however, a certain amount of competition from the steamship companies on the great lakes, and the ocean rates also constitute an important factor to be taken into consideration when fixing tariffs. This last assertion may appear strange in connection with a country without an inch of sea-coast, but when it is borne in mind that by reason of the central position of the country the Swiss Railways have to deal with a considerable amount of through traffic, for instance, between Italy and Belgium, and Austria and England, the connection is made clear. As the playground of Europe, passenger traffic naturally is a very important factor, and it must be admitted that the travelling public are admirably catered for; the carriages, if not luxurious, are clean, lavatory accommodation is provided on every train, no matter how short

the journey may be, and the employees are respectful and courteous.

It can hardly be denied that the nationalisation of the Swiss Railways has proved a success, and the following extracts regarding the Swiss Railways from a Return regarding foreign and colonial State-owned railways to an Order of the House of Commons, dated 13th November, 1906, is interesting :—

> The financial results of the purchase of the railways are described as satisfactory. Till the present time the revenue has been sufficient (1) to cover working expenses, (2) to pay interest on the purchase money, and (3) to pay for sinking fund on the debt incurred in the purchase of the railways.
>
> Apart from the financial question, the purchase of the railways is regarded as an unqualified success. Both passenger and goods rates have been reduced, and the railway service has improved, besides which the sinking fund contributions have until now been paid without recourse to the finances of the State.

The opinion expressed is shared by the great majority of the Swiss people, and the fears so often expressed in this country by opponents of State-owned railways, that the increase in the number of State employees would result in pressure being brought to bear on Parliamentary candidates, have proved quite unfounded.

Italy

In considering the Italian railway system, it should be borne in mind that the Kingdom of Italy was only constituted in 1860, and that up to that time Italy was composed of separate States. The first State to have a railway was the Kingdom of Two Sicilies, a line of eight kilometres in length being opened in 1839, and it was not until nearly twenty years later that all the Italian States had railways.

When the Kingdom of Italy was constituted, there were 2189 kilometres of railway working. In 1865 the main lines were divided among four large Companies—the Railways of Upper Italy, Roman Railways, Calabrian and Sicilian Railways, and the Southern Railways. A few years later the three first named were absorbed by the State. In 1885, however, the railways were again divided, this time into three great systems, called the Mediterranean, the Adriatic, and the Sicilian, and were leased to private Companies bearing these names, for a period of sixty years, the Government retaining the right to re-acquire the lines at the end of each twenty years. This right was utilised at the end of the first twenty years, *i.e.* in 1905, and the Southern Railway, which formed part of the Adriatic system, was taken over the following year.

In 1911 the railways of Italy totalled 10,705 miles, of which 8280 were State lines. There are a fair number of private lines, but none of any importance, and many are subsidised by the State. Concessions for the construction of railways by private enterprise are still granted, but not for more than seventy years, and the State participates in the profits should they exceed a certain amount. In granting concessions, the Government reserves to itself the right to purchase the line (1) at any time after the expiration of thirty years from the date of the opening of the line, payment taking the form of an annuity (which may, however, be capitalised at 5 per cent.) of one-third of the net profits of the three best years of the preceding five years; (2) within two years of the completion of the line, the price being based on the amount expended on construction and materials, plus 5 per cent.

Main lines which are necessary to complete the State system may be taken over at any time, on payment of their value and any loss that may have been incurred in operation, plus 5 per cent.

As mentioned above, the railways were officially taken over by the State in 1905–6. The management is entrusted to a general manager, attached to the Ministry of Public Works. This official deals with all matters connected with the working of the railway, including finance, subject to the supervision of the Minister of Public Works and Minister of the Treasury. The general manager is assisted by a Council of Administration, consisting of himself as president, and eight members, five being railway officials and three technical and administrative experts. These members retire periodically, but may be re-elected.

Among the matters dealt with by this Council, which has great influence, are the regulations of the different departments, the annual estimates, and matters affecting the staff. There are also a Parliamentary Supervisory Committee, the functions of which are indicated by its name, and General and District Advisory Councils, these latter being a fairly new departure. The General Council is composed, *inter alia*, of the Minister of Public Works, who acts as president, the general manager of the State Railways, officials from various Government Departments, such as Agriculture, Finance, War, etc., delegates from the District Councils, and two representatives chosen by the railway staff from among themselves. Its duties include the consideration of questions concerning tariffs and goods, the relations between the public and the railways, and the reports of the District Councils. Among the members of

these last, of which there are nine, are local representatives of agriculture and commerce, chosen by the Chambers of Commerce and Agriculture. Matters affecting private lines are dealt with by a special department attached to the Ministry of Public Works. The control exercised is considerable, all time tables, agreements, and the wages and pensions of the staff having to be approved by the State, which also satisfies itself as to the technical ability of the personnel. The concessions specify the tariffs and fares, and any alterations must be approved by the Government. All the railways, including the State lines, are taxed, and are bound to carry postal matter, except parcels, free of charge, although payment is made in the event of extra vans or special trains being necessary.

The tariffs of the Italian railways are somewhat complicated. Theoretically they are on a kilometric basis, varying, of course, as to the class of goods, and according to the way the goods are forwarded, whether by fast train or ordinary slow goods train. There is also a terminal charge to cover the expense of loading and unloading. All the tariffs are published and are contained in four volumes. It may be mentioned that, with the idea of encouraging certain industries, experimental rates are sometimes introduced—often for a certain period of the year only. The ultimate objective is always the benefit of the community at large, and preferential treatment is avoided as far as possible.

The interest of the State in the matter of tariffs is shown by the fact that in several instances it has prevailed upon the Companies to introduce financially unremunerative, but nationally beneficial, rates, reimbursing to the

Companies any loss thereby incurred. The rates of the Italian railways compare very favourably with those of the surrounding countries, the through rates in particular.

Passenger fares are divided into two classes, namely, those for journeys up to 150 kilometres and journeys over 150 kilometres. The fares in the first-named class are on a strictly kilometric basis, varying according to whether the journey is made by fast or slow train. For journeys of the second class, a differential tariff is in force.

Generally speaking, there are three classes on the Italian railways, a fourth class being included on certain trains on various local lines. Among special tickets may be mentioned circular and return tickets at reduced rates, and special season tickets, designed to meet the needs of persons constantly travelling on business. A third class season ticket over the whole 8000 odd miles of State Railways costs £4 13s. 7d. for one month, and £35 2s. 10d. for a year. Where necessary, season tickets are issued to the State employees and their family at one-half the ordinary season ticket rates. The Government is undoubtedly devoting considerable attention to passenger traffic, and in view of the increasing number of tourists visiting Italy every year, this is a very sensible thing to do.

Since the railways were definitely taken over in 1905 an active policy of reorganisation has been followed, and in 1907 a Commission was appointed to draw up a scheme for the simplification and unification of the tariffs. From 1905 to the end of 1910 the authorised expenditure on new works and rolling stock amounted to £72,000,000, of which £32,000,000 had actually been spent. The rolling-stock had been increased

by 2000 engines, 2000 carriages, and 30,000 trucks and vans, but the chief cause of trouble is the large amount of single line, and it is stated that it will be eighteen years before even such double tracks as are urgently required will be laid down, the amount available for this purpose being only about £600,000 per annum.

In connection with his investigations regarding the Italian railways, the writer came across an interesting fact. He learned that when the Italian railways were under the company régime the delays were so numerous that a number of business men formed a 'Railway Reclamation Company,' which specialised in carrying to an issue claims against the Railway Companies (an excellent idea out of which some sharp business people might make money in this country). The Company was successful, but as a result of the improvements following upon the nationalisation of the railways, its business diminished to such an extent that it dissolved. This sounded so interesting that a letter was written to the former managing director of the Company, and the following is his reply :—

'MILAN, 26th *November*, 1912.

'1. The reason for the formation of the Reclamation Company was owing to delay in delivering the goods, also the bad condition of same when delivered, because the companies did not engage sufficient employees or have enough wagons. All wagons used for transport were quite old and in bad condition.

'2. The general opinion is that they (the railway service) are much improved, both for passengers and goods service, and that is my opinion.

'3. Railway employees now are better paid and do not work so many hours as before under the companies.'

'4. The Syndicalist movement is not strong among the workmen; they work in co-operation and good spirit with the Government, and so far no agitation has been felt, and everything and every one seems much better pleased with the new régime. With the State régime all is improved in every respect.'

CHAPTER XIII

RAILWAY NATIONALISATION IN OTHER LANDS (CONTINUED): RUSSIA—JAPAN—CHINA—HOLLAND

Russia

THE first railway in Russia was constructed in 1838, the length of the line, which connected St Petersburg with Tsarskoe Selo and Pavlovsk, being seventeen miles. More than one-half of the total railway construction in Russia has been carried out within the last twenty years, and over one-third between 1897 and 1907. This is due to the vast extent of the country and its comparatively small seaboard, which at first raised the cost of construction to a prohibitive level. Further, the provision of a railway system was not at first such a pressing necessity as was the case with some other countries, for Russia is intersected by numerous navigable rivers, the utility of which is enhanced by a good system of canals, and most of the important cities have direct communication with the sea. There were also considerable engineering and financial difficulties to be overcome.

At the 1st January, 1912, the total length of line opened to permanent traffic was 46,221 miles, viz.:—Russian Government lines, 28,744 miles; private Companies in Russia, 14,079 miles;

Finnish Government lines, 2140 miles; private Companies in Finland, 179 miles; Eastern China Railway, 1079 miles. The State lines comprise all the railways in Asia, nearly all the Finnish railways, and two-thirds of the railways in Europe. Moscow forms the centre of the Russian railway system, the lines radiating in all directions from that city. The majority of the lines lie in the west and south, and constitute a fairly complete system, the north and east not being nearly so well supplied. Russia in Asia is connected with Europe by the world-renowned Trans-Siberian Railway, which was opened in 1905. The distance from St Petersburg to the terminus at Vladivostock is 6677 miles, and the journey by the best trains occupies about sixteen days. Another important line is the Trans-Caspian line, which will ultimately extend into Western China. Russia still offers an almost unlimited field for railway construction. Many schemes are projected, but a large proportion fail to materialise, chiefly for financial reasons. Construction is, however, steadily proceeding, the new lines opened during 1911 totalling 957 miles. The new lines under construction during 1911 amounted in all to 3967 miles, and up to 1st January, 1912, permission had been granted for the construction of 1654 miles of new lines. The estimated payments by the State to different Railway Companies in 1912, by way of subsidies, amount to £1,600,000, while the State's estimated share in the profits of Railway Companies on whose behalf it has issued or guaranteed loans is £2,000,000. Including payments in return for advances, the estimated net receipts by the State from private Companies for 1912 is £2,300,000. Taking interest on capital into account it has

been estimated that the Government makes an annual loss in connection with the railways of over £6,000,000.

Concessions for new lines are only granted for a fixed period, usually eighty-one years, and at its expiration the line and all its appurtenances revert to the State, without compensation. The Government also has the right to purchase the railway after the expiration of a certain period, usually twenty-five years, and this right has recently been exercised in the case of the Russian portion of the Warsaw-Vienna Railway. The Companies' freedom of action, from a financial point of view, is also greatly restricted by certain conditions.

About 70 per cent. of the construction expenditure on Russian Railways has been raised by the State and the various Companies by loans, 30 per cent. being obtained from taxes. Of the loans raised by the State, 91 per cent. are applied to State Railways, the remainder being assigned to private Companies, and 92 per cent. of the Stock Capital raised by the Companies is guaranteed by the State. The total amount provided for in the estimates of the Ministry of Ways and Communications for 1912 for railway construction by the State is £12,347,692, an increase of £2,309,237 over 1910. Of this sum £3,375,134 is to be expended on existing lines, £8,618,175 on new lines, and the balance on prospecting, etc.

Private lines are managed by Directors selected by the Minister of Ways and Communications from candidates put forward by the Companies. They rank as Government officials, and enjoy all privileges except the right to a pension. All tariffs must be in conformity with the general laws governing railway tariffs, and the allotment

of profits and the distribution of dividends must be approved by the Government. All private Companies are required to form Pension Funds or Savings and Assistance Banks for the benefit of their employees, on lines laid down by special rules.

The passenger and goods traffic show steady increases, and the returns of both Government and private railways for 1911 show a greater margin of profit than in the previous year, the gross receipts from the Government and private lines for 1911 being £73,891,145 and £32,636,283 respectively, as against £67,908,578 and £31,641,832 for 1910; while the gross revenue from the State Railways for 1912 is estimated at £68,300,000. The management of the Government Railways has been much improved. The supervision is much stricter, and many economies have been effected.

Japan

The first railway in Japan was built by the Government in 1872, and ran from Tokio to Yokohama, a distance of eighteen miles. Other lines were then built, and up to 1872 totalled 114 miles. The first private Company was established in the following year, and in 1895 a greater mileage was worked by private Companies than by the Government. The positions were, however, reversed in the following year, and in March, 1911, the Government owned 4869 miles, out of a total of 5354 miles. In 1906 a general programme of nationalisation was undertaken by the Government, and during that year and the following year seventeen private railways, operating 2822 miles, were purchased. The price paid was 481,981,000 yen, based on the average profits obtained, although in no case was a larger sum paid than the actual

cost of construction. The money was raised by the issue of loans bearing interest at 5 per cent., redeemable within fifty years from the profits from the railways. The Government Railways, with the exception of the Korean Railways and the South Manchurian Railway, are controlled by the Imperial Railway Board, and since 1910 their accounts are not included in the ordinary budget but are dealt with separately. The profit from the railways is applied to construction and improvement, and should it not prove sufficient for requirements, public loans may be raised or the money obtained from other sources of revenue.

An expenditure of £9,802,000 for railway construction and improvements, to be spread over ten years, has recently been approved. It was originally intended to allocate £32,825,000, to be spread over thirteen years, the greater part to be devoted to widening the gauge of the 704 miles of line between Tokio and Shimonoseki, but as a result of the policy of retrenchment adopted by the Government, this project has been abandoned for the time being. There are in Japan numerous light railways which serve the purpose of connecting remote centres with the ordinary railways. The construction of these was formerly rendered difficult by the fact that they were governed by the same regulations as the ordinary railways, but in August, 1910, a light railway law was brought in, the object of which was to encourage the building of railways and to obtain proper control for the promotion of schemes for their construction. In 1911 a bill was passed giving the Government power to subsidise light railways of 2½-feet gauge, and over, by making up the profit on the cost of construction to 5 per cent. per annum for a period of not more than five

years. The amount of the subsidies was fixed at £257,000 for 1911.

The idea was to encourage private enterprise to supplement the existing transport facilities, and it has certainly proved successful. Up to the end of 1911 charters had been granted to 119 Companies for railways extending over 1915 miles, and costing about £9,000,000, and many other applications for charters were pending.

At the end of 1911 the Government Debt on account of railways amounted to 6,574,409,305 yen (about £6,600,000), the rate of interest varying between 4 per cent. and 7 per cent. The amount payable on account of interest was about 31,000,000 yen per annum, whilst for the twelve months ended 31st March, 1912, the net profits from the Japan Government Railway, after allowing for all expenses, including interest on the railway debt, amounted to £2,093,000, as against £1,314,000 for the previous year, while the figure for the six months ended 30th September, 1912, was £1,337,000, or at the rate of £2,674,000 per annum. It is evident from these figures that the net revenue from the railways after payment of interest on all outstanding bonds has practically doubled within two years.

China

The first railway in China was of 2ft. 6in. gauge, and was opened in 1876. This line was, however, subsequently taken up, and the real railway system was not commenced until ten years later, when the line forming the nucleus of the present Imperial Railway of North China was opened.

The chief obstacle to railway development in China was the antagonism between the Central Government and the inhabitants of the Provinces, the former recognising the necessity for foreign

loans, and desiring to get the railways under the supreme control of the Board of Communications, while the Provinces were jealous of Government interference, and insisted upon providing their own capital and engineers. This trouble was terminated in 1911 by the issue of an edict to the effect that provincial control should cease, and that all trunk lines of railway should revert to the Government.

At the end of 1911 about 5500 miles of purely Chinese railway were open, while over 2800 miles of new trunk lines were under construction.

Most of the railways in China have been built by the aid of foreign capital, and in some cases the line has been mortgaged to the bondholders. The new Government has announced its intention of respecting all loan agreements, and railway construction in China should now go rapidly ahead.

In September, 1909, a school for training railway officials was established in Pekin. Most of the teachers are returned Chinese students from abroad, and the school is built for 600 students. The policy of the Chinese Government aims clearly at a vast system of State-owned railways, the capital required for their construction being raised abroad in the shape of Government-guaranteed loans, repayable by means of sinking funds. A fundamental condition of the policy adopted by Yuan Shih Kai is that all railways in the Republic shall revert to the State at the termination of their concessions, and that the Chinese Government shall maintain absolute control over their freight rates.

Holland

The principle of State ownership of railways has never been definitely adopted by the Dutch Government, and, in spite of the efforts of King Willem I., it could not be induced to take in hand their construction,

which consequently devolved upon private enterprises. The first concession was granted in 1836 for a line connecting Amsterdam and Haarlem, and subsequently extended to Rotterdam. A few other lines were also built by Companies, but the possibilities of an adequate financial return were too poor to attract private capital to any great extent, and the State had financially to take the matter in hand. In 1860, 1873, and 1875 various laws were passed for the construction of about twenty lines, which, however, were not actually built by the Government, but by a State Railways Company formed for the purpose. In addition, lines were also built by private enterprise, but were gradually absorbed by the big Companies, and in 1890 there remained only the State Company, the Holland Iron Railway Company, and the Rhein Line, with one or two subsidiaries. This last was taken over in that year, however, and the system is now divided between the State Company and the Holland Iron Company, with many lines in common.

A fixed rental is charged for the State lines operated by the Companies, which in addition must hand over to the Government a share in the profits when the dividend paid exceeds 4 per cent. Each Company has running powers over the lines of the other, the idea being to foster competition. The Government reserved the right to take over the whole system on twelve months' notice, but on the other hand should the Companies' profits fall so low that not more than $3\frac{1}{2}$ per cent. could be paid for two consecutive years, the Companies could require the State to take them over, two years being allowed the Government to make the necessary arrangements.

Under the agreement of 1890 all tariffs and time-tables must be approved by the Government, whose authority is also required for any important new works and purchases of rolling stock. The Government also has power to intervene between the Companies and their servants, and as a result of a strike of railway employees in 1903, all matters connected with wages and conditions of labour have to be submitted to it. The strike referred to terminated in favour of the men, and this naturally had a considerable effect on the Companies' working expenses, which were further increased by the competition encouraged by the Government, which, of course, involved much unnecessary duplication, and the rise in the price of coal.

The receipts too are poor, for by reason of the splendid system of waterways, the amount of goods traffic on the Dutch railways is, contrary to practically every other country, of less importance than the passenger traffic, the respective figures per kilometre for the year 1907 being 8892 florins and 9297 florins. The receipts are steadily increasing, but, as in most countries, expenses are increasing still more rapidly, and there does not appear to be any immediate prospect of an improvement in the financial results of the railways. The Government therefore was confronted with the possibility of being called upon to take over the Companies, and a Royal Commission was appointed to go into the whole question. The results of this Commission have recently been made known, and may be summarised as follows :—

As the financial results obtained are not likely to improve, it would seem that the Companies will not be able to improve the service and extend

the system to meet the requirements of the country. The majority of the Commission was not in favour of the State taking over the railways, but many members were in favour of placing the whole system under one Company, among the reasons adduced being that it would thereby be much easier to judge whether the taking over of the railways by the State is desirable or not. A considerable part of the Commission was for the retention of the existing system, namely, the working of the lines by two Companies, as this would avoid any undesirable increase in the number of State employees, the railways would be conducted on business principles, and the endeavours of the Company to make profits would result in an efficient service. Stress was also laid on the necessity of not mixing the uncertain railway finances with the ordinary State finances, as the consequences would prove to be very undesirable. The ballot resulted in eight votes against seven in favour of the working of the system by a single Company, the taking over of the lines by the State being rejected by ten votes to five. It remains to be seen, however, whether the results of the Commission will be acted upon.

One has only to travel from Holland into Belgium, or vice versa, to notice the difference between Company and State-operated railways in two contiguous countries of an equal degree of civilisation. The comparison is vastly in favour of the Belgian State Railways as regards speed, rolling stock, and fares.

CHAPTER XIV

RAILWAY NATIONALISATION IN OTHER LANDS (CONTINUED): AUSTRALIA—NEW ZEALAND—CANADA—MEXICO—EGYPT—SOUTH AFRICA—ARGENTINA—BRAZIL—CHILE—PERU

Australia

THE first railway in Australia was completed in 1855, but for twenty years afterwards railway construction was very slow, this being partly due to the difficulty of borrowing money at a reasonable rate of interest and partly to doubt as to whether any great expenditure was justified by the scattered population. Every State now has its railways, however (and, for the greater part, its tramways too), and in 1910 the total mileage in the Commonwealth was 17,431. The principle of State-ownership of railways has been steadily followed in the case of Australia, and at the present time practically the whole of the lines are in the hands of the Governments of the various States, which together own 15,466 miles out of the above-mentioned total. On the 30th June, 1910, the total cost of construction and equipment of the State lines amounted to £146,882,474. The percentage of net revenue to capital has shown a fairly steady increase, having risen from 3·15 per cent. in 1901 to 4·18 per cent. in 1910. South Australia makes the most favourable showing in this respect, with a percentage of 5·56 per cent., and Tasmania the least favourable with 1·79 per cent. It will be seen that the profit is, generally speaking, quite good. The following extract from the official year book of the Commonwealth is interesting:—

In addition to the purely commercial aspect of the figures relating to the revenue and expenditure of the Commonwealth railways, it is of great importance that the object with which many of the lines were constructed should be kept clearly in view; the anticipated advantage in building these lines has been the ultimate settlement of the country rather than the direct returns from the railways themselves, and the policy of the State Governments has been to use the railway systems of the Commonwealth for the development of the country's resources to the maximum extent consistent with the direct payment by the customers of the railways of the cost of working and interest charges. Further, the money has been spent in developing immense agricultural, pastoral, and mineral resources, which add to the wealth of the community; while the benefits conferred in providing a cheap and convenient mode of transit, and in generally furthering the trade and the best interests of the Commonwealth, are incalculable.

As regards fares and rates on the Australian Railways, these are changed from time to time to meet the necessities of the community, and considerable reductions have been made in recent years. Generally speaking, they compare most favourably with those in force in the United Kingdom, which, for so sparsely populated a country as Australia, is very creditable. In 1910 the total number of employees on the State railways was over 58,000.

That the policy adopted has in the long run achieved success, measured even by the narrow commercial standard, is shown by the fact that all of the Australian States are making handsome profits from their railways. For the twelve months ended 30th June, 1912, New South Wales made a net profit from its railways of £415,513 after

paying all expenses and interest on its Railway Debt. The case of New South Wales affords a good instance of the futility of measuring the railway system of a country merely as a profit-earning machine, instead of as part of the country's industrial equipment. For, although the net profit for the year referred to is very satisfactory viewed by itself, it would in the eyes of many appear less so if they were informed that it showed a falling-off of £186,112 as compared with the preceding year, when the net profit was £601,625; and from the point of view of a *shareholder*, this drop in the profits would rightly be regarded as an evidence of bad management. Regarded, however, as one of the public services of the community, and from the standpoint set forth in Chapter XVII, this profit will be considered as highly satisfactory, when it is taken in conjunction with the fact that during the year wages were increased, a much larger sum of money was spent on renewals of permanent way and other betterments, rates of coal for distances over 200 miles had been reduced to the extent of £15,000 per annum, in order to assist development of the coal industry, and that reductions in passenger fares aggregating some £70,000 per annum had come into operation. During the last two years a minimum wage of 7s. per day has been granted to employees of 21 years of age and over; carters' wages have been raised from 11s. per day to 12s.; carpenters' and joiners' from 10s. to 11s.; and junior members of the salaried staff have been granted a minimum salary of £110 per annum. During the year 1910–11 increases in wages of the workers on the New South Wales State Railways amounted to over £140,000, and in the words of one of the severest critics of

Australian Government finance, viz., the *Investors' Review*,—

> The scale of pay looks high enough to be burdensome. That it is not, is surely proof that a contented staff is the best economiser railway managers can have. And the Chief Commissioner of Railways and Tramways, Mr Johnson, was able while raising wages to lower charges at a cost of £60,000 to goods and live stock, and of £70,000 to passenger revenue.[1]

The table on page 182 shows the financial results of the various State railways of Australia during the last year or two.

New Zealand

Railway construction in New Zealand was first commenced in 1860, but up to 1870 there were only forty-six miles of line in operation. In that year a public works policy was initiated, and the Railway Act of 1870 authorised the construction of several lines and preliminary surveys for others.

When the Provinces were abolished in 1876 the earlier railways reverted to the Government, which in 1908 purchased the line of the Wellington-Manawatu Railway Company. Practically the entire railway system is now owned and controlled by the State, on 31st March, 1910, the length of the Government lines being 2717 miles, of which 1144 miles were situated in the North Island and 1573 miles in the South Island. Only 29 miles of private lines were open for traffic on the date mentioned.

The estimated total cost of construction up to 31st March, 1910, was £28,513,476, and the excess of revenue over expenditure was £1,080,316, or 3·8 per cent. On some lines, however, the earnings ranged as high as 13¼ per cent.

[1] September 23, 1911.

State.	Year.	Gross Receipts. £	Working Expenses. £	Net Receipts. £	Percentage of Net Receipts to Capital Expenditure.	Interest on Railway Loans. £	Percentage after allowing for Interest on Loans.
New South Wales	1907–8	4,944,000	2,715,000	2,229,000	4·88	1,649,000	+1·27
	1908–9	5,028,000	2,953,000	2,076,000	4·36	1,687,000	+0·82
	1909–10	5,486,000	3,276,000	2,209,000	4·52	1,687,000	+1·07
Victoria	1907–8	3,873,000	2,436,000	1,438,000	3·43	1,484,000	−0·11
	1908–9	4,178,000	2,515,000	1,663,000	3·91	1,428,000	+0·55
	1909–10	4,444,000	2,818,000	1,626,000	3·77	1,471,000	+0·36
Queensland	1908–7	1,951,000	1,054,000	897,000	3·97	932,000	−0·15
	1908–9	2,103,000	1,227,000	876,000	3·74	935,000	−0·26
	1909–10	2,338,000	1,414,000	924,000	3·80	973,000	−0·20
South Australia	1907–8	1,741,000	969,000	772,000	5·57	494,000	+1·99
	1908–9	1,639,000	940,000	698,000	5·10	500,000	+1·11
	1909–10	1,841,000	1,069,000	7,710,000	5·56	508,000	+1·90
Northern Territory	1907–8	14,000	14,000			47,000	−3·92
	1908–9	13,000	13,000			47,000	−3·98
	1909–10	12,000	13,000			47,000	−4·0
Western Australia	1907–8	1,502,000	1,008,000	494,000	4·60	343,000	+1·41
	1908–9	1,509,000	974,000	535,000	4·85	355,000	+1·63
	1909–10	1,637,000	1,097,000	541,000	4·75	368,000	+1·52
Tasmania	1907–8	278,000	202,000	76,000	1·91	149,000	−1·84
	1908–9	280,000	204,000	76,000	1·90	150,000	−1·85
	1909–10	284,000	212,000	72,000	1·79	152,000	−1·97
Commonwealth of Australia	1907–8	14,303,000	8,398,000	5,906,000	4·23	5,098,000	+0·58
	1908–9	14,750,000	8,826,000	5,924,000	4·13	5,102,000	+0·57
	1909–10	16,042,000	9,899,000	6,143,000	4·18	5,206,000	+0·64

That the State Railway Department is not lacking in enterprise is shown by the fact that it is possible to obtain a first-class ticket available over the railways of both islands for six months at a cost of £8 !

Canada

The Government railways of Canada consist of two lines—the Inter-Colonial Railway and the Prince Edward Island Railway. The total length of the State-owned and operated lines is 2072 miles, which were built at a cost of $119,615,666, on the credit of the Dominion or the provinces concerned. In addition, the building of lines is encouraged by Government subsidies and the guaranteeing of interest on bonds. At the 30th June, 1911, the guarantees, subsidies, and land grants by the Dominion and Provincial Governments were as follows :—

Cash subsidies, $202,179,256 ; guarantees, $148,336,357 ; land grants, 55,256,429 acres.

The administration of the Inter-Colonial Railway is often criticised by interests which do not view with approval any extension of State ownership. Canada is the one important British Dominion which does not own the greater part of its railway system, and it is laying up a store of trouble for the future not dissimilar to that experienced by the United Kingdom. Already there is a strong current of feeling in the West against the heavy rates charged there, and an uneasy feeling that if the State does not end up by owning the railways, the Railway Companies —or, at least, one of them—will end up by owning the State. The next few years should witness some interesting developments in connection with the railways—as interesting as in the case of the United States.

Mexico

The total length of the railways of Mexico in September, 1911, excluding lines of a purely local character, was 19,877 kilometres, of which the Government owned or controlled nearly 14,000 kilometres. One railway—the Tehuantepec National Railway—is absolutely owned by the Government, but is operated under a special agreement by Messrs S. Pearson & Son, Limited, of London. The National Railways of Mexico, formed by the amalgamation of the Mexican National and Mexican Central Companies, are controlled *through stock ownership* by the Government, which owns $230,004,580 out of a total capital of $460,000,000. The principal independent railways are the Mexican Railway Company, the Southern Pacific Railroad Company of Mexico, and the United Railways of Yucatan. All the railways in Mexico have been built under concessions providing for their ultimate reversion to the Government, with compensation for buildings, rolling stock, and material.

Egypt

The railways of Egypt date from 1852, when a line running from Alexandria to Cairo was built. In 1858 a line from Cairo to Suez was opened, forced labour being employed, and the land being taken without payment; but this line was subsequently taken up and replaced by a new line from Ismailia to Suez.

In 1876 a Khedevial decree was issued, placing the control of the railways under a mixed administration, but in 1905 this body was replaced by a general manager. At the end of 1910 the total length of the Egyptian State Railways was about 1480 miles.

The Egyptian State Railways return a good

profit, the yield for 1910 being 5·5 per cent. as compared with 5·1 per cent for 1909.

In addition to the Egyptian State Railways proper, there is an extensive system of light railways, the principal being the Auxiliary Railways of Upper Egypt (State-owned) and the Egyptian Delta Light Railway Company, which obtained a 70 years concession in 1907, and has constructed about 594 miles of narrow-gauge lines.

The Egyptian State Railways compare favourably in most respects with the railways of Europe and America. Sleeping cars are run under arrangement with the International Sleeping Car Company, and the famous *train de luxe* known as the Nile Valley Express, and which is composed of dining and sleeping cars, with second-class accommodation for servants, is known throughout the world.

South Africa

In the Act of Union, the Railway System of the Transvaal and the Orange Free State, Cape of Good Hope, and Natal were placed under one administration. At the end of 1911 there were 7548 miles of Government line in operation and 560 miles of privately-owned line. The management of the Government lines is carried on by a Board of three Commissioners, with the Minister of Railways as chairman. The capital expenditure on railways up to the date mentioned amounted to £79,371,655, of which £64,876,997 has been raised by loans. For the year 1911 the surplus of earnings for working expenses and renewals was £4,909,008, and the net profit, *i.e.* after payment of interest on loans, was £2,509,662. South Africa compares very favourably with other countries as regards capital cost per mile and maintenance expenses.

At present the net profits help to swell the general revenue of the Union; but under provisions of the Constitution, in less than two years they will be devoted, after allowing for depreciation, to the reduction of rates and fares, and should the provisions of the Constitution be strictly adhered to there is likely to be some trouble, for the withdrawal of such an important source of revenue will necessarily have to be met by increased taxation.

The prosperity of the South African Railways at present depends to a considerable extent on the mining industry, but this source of traffic will not, of course, last for ever. This seems to be recognised by the authorities, however, who are devoting large sums annually to depreciation and endeavouring to reduce capital liabilities.

As might be expected in the case of the comparatively recently developed countries constituting the continent of South America, a large portion of the railway system is privately owned, although the Governments exercise a far greater measure of control than in the case of this country.

In Argentina, at the end of 1910, the State owned 3971 kilometres out of a total of 28,636 kilometres.

Argentina

The railways of that country date from 1854, when the Government of the Province of Buenos Ayres issued a decree authorising a concession for a line of 22,730 yards in length. The necessary capital not being entirely subscribed, the balance was advanced by the Government of the Province, which at the same time gave a guarantee. The line was not a success, however, and in 1863 was taken

over by the provincial government and, subsequently, sold to the Buenos Ayres Western Railway Company. In granting concessions for the earlier railways, the Argentine Government often gave a guarantee of interest, and in some cases land bounties. The guarantees were withdrawn in 1895 and 1896 however, Government bonds being issued instead. Among the laws governing the railways should be mentioned the Mitre Law, which exempts the companies from all taxation—National, Provincial, and Municipal, and until 1947 grants them free importation of all materials required for construction and working. In return, the Government claims a payment of 3 per cent. of the net receipts, which is, however, applied to the construction or maintenance of the bridges and roads crossed by the railway.

The following is an extract from the Consular Report for 1911 on the Trade of Buenos Ayres :—

The avowed object of the Government railways is to open up districts undeveloped by private railway enterprise—districts, in fact, that are too far removed from the sea to admit of profitable development, or where the population is sparse and local conditions unattractive. The State railways are consequently to be found in some of the most backward parts of Argentina, in which it is desired to spread civilisation and encourage colonisation.

The Government railways in the north of the Republic are now being used as mediums for reaching beyond the limits of unproductive territory. This is being effected by carrying over the State system railway extensions that are now penetrating into some of the neighbouring Republics.

State-constructed railways are to be found in the provinces of Jujuy, Salta, Catamarca, La Rioja,

Tucuman, Santiago del Estero, San Juan, Cordoba, and Santa Fé. The system covers 3330 miles of railway.

Brazil

In Brazil the total length of lines in 1910 was 21,370 kilometres, of which 8760 kilometres were Government lines. The principal State Railway is the Central of Brazil. Up to 1907 the capital represented by this line amounted to £13,292,995, and for that year the excess of revenue over expenditure was £41,378, or 0·30 on the capital; in 1879 it was as high as 6·81 per cent. On only two occasions—in 1870 and 1872—has the expenditure exceeded the revenue, although it must be admitted that the tendency for the past few years has been downwards. The receipts for the year 1909 were £7,756,974, as against an expenditure of £5,896,530.

On the Government lines a system of 1000 kilometre tickets has been introduced. The rates are: 1000 kilometres, 51 milreis; 2000 kilometres, 84 milreis; 3000 kilometres, 118 milreis; 4000 kilometres, 152 milreis; 5000 kilometres, 195 milreis; 6000 kilometres, 230 milreis. In the near future all the lines of Brazil will be linked up and a uniform system of freights arranged.

Chile

In 1910 there were 3733 miles of line open for traffic, of which 1660 belonged to the State. The principal railway in Chili is known as the Longitudinal Railway of Chile, and is now under construction. The work is being carried out by contractors, and as each section is completed it is taken over by the Government, and a decree published acknowledging acceptance of the section, and guaranteeing the payment of 5 per cent. interest per annum, corresponding to the value of the section, from the date of its being taken over, and also a Cumulative Sinking

Fund of 2 per cent. per annum, until the total price of the work is paid off.

Practically the whole of the railways in Peru are worked by the Peruvian Corporation. In 1911 the total length of the line in operation was 1656 miles, of which 1120 were worked by the Corporation. The railways were ceded to the Peruvian Corporation for a term of 66 years from January, 1890, but under an agreement made in 1907 this was extended to the year 1973. At the expiration of the lease the lines will revert to the Government, which, during the period of 17 years, by which the lease was extended, will receive 50 per cent. of the net profits from the railways after allowing for the service of Bonds which may have been issued by the Corporation. The land required for the railways is provided by the Government, which also has a voice in the fixing of tariffs.

Peru

CHAPTER XV

HOW THE STATE CAN ACQUIRE THE RAILWAYS

It is not sufficiently well known that there is already on the Statute Book an Act by means of which the Government has the right to purchase nearly the whole of the existing railway system of the country on giving the Railway Companies three months' notice of their intention.

This Act (7 & 8 Vic. c. 85) was introduced by Mr Gladstone when he held office in the Conservative Government presided over by Sir Robert Peel. In the year 1844 a Select Committee, with Mr Gladstone as chairman, investigated

the general railway question, and reported that rates were much too high, that competition between Railway Companies was likely to do more injury to them than good to the public; but that, on the other hand, monopoly in private hands was dangerous and to be guarded against, and that the Government should reserve power to purchase the lines at a reasonable cost after a given time. As a result, during the same year, a Bill introduced by Mr Gladstone, and known as the 'Cheap Trains Act,' was passed, which provided (1) that at least one train a day on every system should convey passengers at fares not exceeding one penny per mile, (2) a revision of the maximum rates, (3) the granting of certain powers on the Board of Trade to compel the Railway Companies to conform to the law, and (4) for the compulsory acquisition of the railways by the State at the discretion of Parliament at any time after twenty-one years from that date. The clauses relating to this compulsory acquisition of the railways state that the price payable to the Companies shall be twenty-five years' purchase of 'the annual divisible profits estimated on the average of the three then preceding years,' but that 'if the average rate of profits for the said three years shall be less than the rate of ten pounds to the hundred, it shall be lawful for the Company, if they shall be of opinion that the said rate of twenty-five years' purchase of the said average profits is an inadequate rate of purchase of such railway, reference being had to the prospects thereof, to require that it shall be left to arbitration in case of difference, to determine what, if any, additional amount of purchase money shall be paid to the said Company.'

It will be noted that, if the average rate of profit proves to be less than 10 per cent., and the Company is of opinion that twenty-five years' purchase calculated on the average profit is an inadequate purchase price, '*reference being had to the prospects thereof*,' it may insist upon arbitration to determine upon what, if any, additional amount of purchase money shall be paid to it.

In the early days of railway construction in this country, when a railway was a new and speculative sort of venture, and when money earned a higher rate of interest than is now the case, 10 per cent. was not regarded as so high a rate as it is to-day, and the excessive growth of capital of the Railway Companies in excess of the growth in the value of their assets shown on page 21, was not foreseen. Still, the Act is quite clear; if the average rate of interest on the Company's capital was less than 10 per cent., it was undoubtedly intended that the Company should have the right to demand arbitration, and there is no doubt that in the event of any Government attempting to put the said Act into operation, the utmost use would be made of this clause in an effort to obtain more than twenty-five years' purchase of the profits, because the Railway Companies would argue that they stood to lose nothing, whereas they might conceivably gain something by going to arbitration. On the other hand, it is quite clear that, in determining whether or not twenty-five years' purchase of the average profits was adequate compensation, the arbitrators would have to be guided by the prospects of increased profits. Seeing that, when the railway servants compelled the Railway Companies to raise wages, those

Companies demanded of Parliament the right to increase their rates—in other words, the Railway Companies are dependent upon the permission of the Government to increase their profits—the prospects of increased profits would appear to be dependent upon the goodwill of the Government, against whose valuation the Companies would be appealing before the arbitrators. It does not look, therefore, as though the Railway Companies would be able to make out much of a case for increased compensation.

Another clause of the Act limits its operation to railways constructed after the year 1844. At that date the number of miles of railway lines in operation in the United Kingdom was 2320. At the end of 1912 the mileage of railways in the United Kingdom was 23,442. So that the provisions of the Act would apply to 21,122 miles, leaving 2320 miles uncovered by it. These 2320 miles are made up as follows :—

Sections worked by	Approximate Mileage.
London and North Western ..	405
Midland	289
North Eastern	390
Great Western	282
Great Eastern	115
London and South Western ..	94
Lancashire and Yorkshire ..	81
Great Central	69
South Eastern	88
London, Brighton, and South Coast	51
Caledonian	57
Glasgow and South Western ..	64
North British	94
Sundry other lines	241
	2320

It would appear, therefore, that if the Government were to exercise its right under the 1844 Act of purchasing the railways on twenty-five years' purchase, the owners of the 2320 miles of line detailed on the previous page could refuse to be bought out; but seeing that these are isolated sections, all the cards would lie in the hands of the Government, which could invite the proprietors to operate these sections on their own account, and the Government Railway Administration could either construct new loop lines (the threat alone would be sufficient) or it could pass an Act obtaining running powers over those sections, so that no real difficulty arises out of these sections which do not come under the operation of the Act. Now it by no means follows that, in nationalising the railways, the Government of the day will act under the provisions of the 1844 Act. Under that statute the Government has power to act without requiring any mandate from the people, but it is, of course, extremely unlikely that it would make use of so old an enactment without the authority of the electorate, and there are very many people who consider that the provisions of that Act are much too favourable to the Railway Companies, which would receive at least double the value of the land, materials, and plant owned by the Companies. The Railway Companies enjoy their concessions and monopolies by permission of Parliament, and although the proprietors would urge that the concessions of the Companies, unlike the practice adopted in every other country except the United States are perpetual—that is to say, run for ever and ever, and that any termination of such concessions, except under the terms of the 1844

Act, would be confiscation, it must be remembered that a Conservative Government reduced the rate of interest on Consols from 3 per cent. to $2\frac{3}{4}$ per cent., and ultimately to $2\frac{1}{2}$ per cent., which was also 'confiscation.' Still, let us assume that the Government, being kindly disposed towards the British Railway Companies, decided to give them the full benefits of the 1844 Act, and to buy them out on the basis of twenty-five years' purchase of their average profits, without inquiring too closely into the extent to which profits have been divided up to, even if not beyond, the hilt. The net working profits of the railways of the United Kingdom for the three years 1909–11 are given in the Board of Trade returns as follows :—

1909	..	£45,136,464
1910	..	47,355,889
1911	..	48,581,746
	Average,	£47,024,700

Twenty-five times, which equals £1,175,617,500.

This means, therefore, that the Government to-day can buy up the British Railway System by paying over to the respective Companies a sum equivalent to twenty-five years' purchase of the average profits for the last three years, and that if this right were exercised in respect of the entire British Railway System, the purchase price would amount to the huge sum of one thousand one hundred and seventy-five millions. It should be pointed out that there is nothing in the 1844 Act to prevent a Government from purchasing part of the railway system only—the purchase of the property of one Company does not necessarily involve the purchase of the property of another. A difficulty that

occurs to many people in connection with the purchase by the State of the railways is the difficulty of allocating the different proportions of the purchase money to holders of different categories of stock. 'How much,' these people ask, 'would be given to the holder of South Eastern Railway Five per Cent. Debenture Stock, the market price of which is, say, 125, and how much would be given to the holders of the Ordinary stock of the London, Chatham, and Dover Railway Company, which has never paid a dividend, which is never likely to pay one, and yet stands at the price of £20 per £100 of stock?' The answer to this question is perfectly simple. If the Government were to buy out the railways on the basis of the 1844 Act, how the money is divided up is not its concern. The onus of dividing the purchase money among the various classes of proprietors clearly lies upon the Railway Companies. The Government here is in the position of a person buying the business of a firm and paying over the purchase price to the firm, such purchase price being based upon so many years' purchase of the average profits; as between seller and buyer, it is not the latter's business how the purchase price is to be divided up among the partners in the firm which is being bought out. In other words, the Government would be dealing with the Companies, and it is for the Companies to settle with their stockholders the exact proportion of the proceeds which each class of holder is to receive in just the same way as the National Telephone Company has to settle with its different classes of stockholders as to the extent to which they shall participate in the purchase money received from the Government.

Thus far we have been considering only the case of purchase under the terms of the 1844 Act. It is, of course, open to Parliament, as the sovereign authority, to purchase the railways on an altogether different basis, the purchase price being determined in such fashion as Parliament thought fit. There is no doubt that if it were decided to buy up the railways on the basis of a valuation of their assets only, the purchase price would not be fifty per cent. of what the Companies would receive if bought out on the basis laid down by the 1844 Act; there could be no question of a value being attached to goodwill, for the Railway Companies earn their profits by reason of the monopoly conferred upon them by Parliament. The Companies could, however, make out a case that much of the capital subscribed by their stockholders had been done so on the strength of the concessions held by them from the Government, and although holders of Consols could with equal right urge that they had purchased that security on the strength of the Government undertaking to pay 3 per cent., it would be impossible to overlook this plea, and some allowance would doubtless be made for this factor. One thing is clear, however, and that is that the Railway Companies in this country hold their concessions subject to the provisions of the Act of 1844, so that the putting into operation of such Act would not be an injustice to any existing stockholders; you cannot eat your cake and have it.

CHAPTER XVI

THE FINANCE OF RAILWAY NATIONALISATION

In the preceding chapter we have seen how, in virtue of the 1844 Act, the Government could buy out the Railway Companies for a sum equivalent to twenty-five years' purchase of the average annual profits during the three preceding years.

Another basis that might be employed to value the railways would be to take the average market price spread over a period of three years, and to buy out the different categories of stock on this valuation. Whichever method were adopted, it is evident that the purchase by the State of the railways would involve financial transactions of great magnitude. We will now consider, therefore, first the question of how the State would find the capital necessary to carry out these vast transactions; and, secondly, what benefit, in a financial sense, the State could expect to enjoy as a result of such purchase. As has been shown in the preceding chapter, the amount required to buy out the whole of the Railway Companies of the United Kingdom may be taken as round about £1,175,600,000—an enormous sum. It will at once be asked, 'How is this money to be found?' To people unacquainted with finance, the difficulty presented by such a question appears insuperable. The reply is, however, that actual cash has not to be found at all. The amount of gold in circulation in the United Kingdom is officially estimated

to be between £100,000,000 and £120,000,000; and yet the paid-up capital and debt of the Railway Companies reach the enormous total of £1,324,000,000, and we are entitled to ask in reply, 'How was this money found?' The purchase by the State would resolve itself into an exchange of Railway Company stock for Government Railway stock. Once the purchase price is fixed, the Government can issue bonds to an equivalent amount. There are two courses open to the Government with regard to the process of conversion. These are :—

(1) The Government can, in its Act, provide that payment shall be made in Government Railway stock, such stock being handed over and calculated at its face value in the rightful proportions to holders of Railway Company stocks.

(2) The Government can offer existing holders of railway securities the option of receiving cash or taking in exchange so much Government loan, holding out as an inducement to take the latter the attraction of a small bonus, by adding, say, $\frac{1}{4}$ per cent. to the amount paid if taken in stock.

If the former alternative were adopted, those people who, on account of the lower interest that they would receive from Government stock, did not care to keep it, could immediately sell it on the Stock Exchange and re-invest their money elsewhere.

The second course is more favourable to existing holders of railway stock, as it gives them the option of receiving cash or Government Railway loan. There is nothing new or startling in this procedure, for it is adopted by nearly every Government when it converts an existing

loan into one bearing a lower rate of interest, and the Government usually arranges with a group of bankers and financial houses to carry through the whole operation, the said banks, for a commission, engaging to take up or place any balance not taken in exchange for old stock.

The obvious objection to the creation of an enormous amount of new Government debt is that this fact would, of itself, depress the price of Government stock altogether. It should be borne in mind, however, that the creation of a Government Railway stock would not represent any increase in market securities, because for every £1 of Government Railway loan issued, at least £1 of existing railway debenture or capital stock would be cancelled. If, therefore, the holders of any large amount of railway stock refused to exchange such stock, and elected to take cash, so many millions would be awaiting investment and would be applied to the purchase of other high-class securities that the price of these would rise, until the Government Railway loan would appear so attractive in comparison that many of these millions would perforce find their way into it. By paying some attention to the technical details, the Government Railway loan could be made so attractive as to be a favourite form of investment. One of the reasons why Consols, British Railway Companies' Debentures, and other similar high-class loans have fallen so much of late years, is that, not being repayable at any fixed date, holders have no guarantee that they will, some years hence, be able to get their capital back intact. In other words, whilst the safety of the interest is indisputable, the amount of capital placed in such

loans is not at all secure, and £100 of Consols, which, in the year 1896 cost the holder £105, would in 1912 fetch him only £74 were he to sell; and £100 of London and North Western Railway 3 per Cent. Debenture stock, which in the year 1902 cost the holder over £100 would, if sold now, only fetch £80 10s. Investors are gradually realising that it pays them to turn their attention to loans and debentures which have to be repaid at their face value (if not above) at a certain date, this fact of itself preventing any very serious fall in price; and that is one of the principal reasons for the waning popularity of Consols and Railway Companies' Debentures, and the increasing popularity of foreign Government and foreign municipal and railway loans, for the repayment of which a date is fixed. If therefore the Government, in issuing its railway stock, makes it repayable at a fixed date, and in bearer bonds for small amounts, with coupons payable at any important Post Office, it will be killing two birds with one stone. First, it will create a security ever so much more popular with small investors than either Consols or Railway Companies' Debentures; and, secondly, it will be avoiding the great crime of British Railway finance—namely, the non-repayment of debt, for the British Railway Companies practically stand alone in that they never redeem their debt out of current earnings. A sinking fund of ½ per cent. per annum—that is ten shillings per year for each £100 of debt—either invested separately at 3 per cent., or utilised for the purpose of cancellation of the existing debt, will suffice to pay off the whole of the debt in ninety-four years. The amount required for this purpose is indicated on page 202.

A Government Railway loan of the nature here indicated is really a better security—if such be possible—than Consols; because, while having precisely the same security as Consols—namely, the guarantee of the nation, it has the further specific security of the railway revenues. The Swiss Government has borrowed some millions of pounds for the purpose of buying out the Railway Companies in that country, and these points are brought out prominently in the prospectus of the last loan issued, an extract from which will be found on pages 159-160.

We will now assume, for argument's sake, that the Government decides to buy out the Railway Companies of the United Kingdom, which it might do either in one great operation or by sections—probably the latter, as that would, of course, tend to prevent the dislocation that some people fear if the whole operation were carried out at one time. As we must take a figure for the basis of our calculations, let us take the high one resulting from the application of the 1844 Act, which, as has already been shown, would involve a purchase sum of £1,175,600,000. To allow for all circumstances, we will show the results accruing from the issue of 3 per cent. stock, 3¼ per cent. stock, and 3½ per cent. stock. As has been shown, the average profits for the years 1909–11 amounted to £47,024,000. If the nation were to buy up the railways on the terms provided by Mr Gladstone's Act of 1844—*i.e.* on twenty-five years' purchase of the average profits—this would call for the issue of £1,175,600,000 of Government Railway stock, on which this annual profit of £47,024,000 would suffice to pay exactly 4 per cent. By this

operation the Government would come into possession of annual profits equal to exactly 4 per cent. on the price it had to pay; and the difference between the rate of interest the Government would have to pay on the money it borrowed and 4 per cent. would be a yearly net profit to the Government. We will put this out in tabular form :—

Annual Sum required to pay Interest on £1,175,600,000 Government Stock at rates indicated.

Rate of Interest.	Amount required.	Average Annual Profits of Railways at present.	Net Profit to Nation.
3 %	£35,268,000	£47,024,000	£11,756,000
3¼%	38,207,000	47,024,000	8,817,000
3½%	41,146,000	47,024,000	5,878,000

It will be seen therefore that, in the most favourable case—*i.e.* if the Government issued its railway purchase stock at 3 per cent.—there would be an immediate annual profit on this score alone of £11,756,000; at 3¼ per cent. the annual saving would amount to £8,817,000; and in the least favourable case—namely, the issue of the railway purchase stock at 3½ per cent., there would still be an annual saving of £5,878,000.

And all this, be it remembered, from the financial operation alone without effecting a single improvement in management, and without saving a farthing by the elimination of any of the present sources of waste through duplication of stations, officials, etc. In other words, even if the Government were to keep in office the existing 1400 Company directors, all the general managers, were to keep all the different competing goods yards in operation, were to keep all the thousands

of small railway receiving offices and shops, even where two or three are next door to one another, there would still be this enormous saving, which is due simply to the fact that the credit of the State, under the worst conceivable conditions, is yet vastly superior to the credit of the best-circumstanced Company. By the economies to be effected by the abolition of the superfluity of high officials, by gradually doing away with the unnecessary duplication referred to, which, in the matter of goods wagons alone, would result in the saving of enormous sums annually, by the enormous economies which would come from a unified administration similar to that of the Post Office, at the very least another £10,000,000 (the figure would probably be much nearer £20,000,000) would be saved. This would leave a margin of from £15,000,000 to £20,000,000 per annum. Deduct from this the sum of £5,878,000 to be put aside annually for the gradual extinction of the whole of the railway debt (a factor which, as already explained, would tend to keep the price of that security at par), and there would still remain an annual surplus of from £9,000,000 to £14,000,000 out of which to reduce passenger fares and goods rates and improve the conditions of the railway workers. Thousands of workers at present engaged on unproductive work would be set free by the unification and co-ordination of services, and these could be utilised to reduce the hours of labour and to cope with the increased traffic which would immediately ensue, because experience shows that every reduction in the cost of transport and communication is at once followed by an enormous increase in the use of such communication or transport—as witness

the case of the Post Office, where every reduction in rates is followed by an enormous increase in the quantity of postal matter handled. The savings to be effected by unification would not come from any reduction in the number of workers of lower grades, but by a gradual elimination of unnecessary high officials, and in the abandonment of thousands of unnecessary duplicate receiving offices, and the greater use that could be made of the collectively-owned rolling stock than is the case at present, with each Company jealously keeping its own reserve of passenger coaches, goods wagons, etc. After fifty or sixty years the railway debt would have disappeared, and a sinking fund of £5,878,000 per annum be set free for the further reduction of rates, etc.

Throughout this chapter I have taken the terms of the 1844 Act as a basis on which to nationalise the railways. There is, however, another method of purchasing the railways which would vastly simplify the difficulties of allocation of the purchase money to the different categories of stockholders, and that is to buy them up on the basis of the average market price of each class of security—in other words, to take as a basis of purchase the valuation that the stockholders themselves place upon their property. It would be of considerable interest to ascertain how this compares with purchase on the basis of the 1844 Act. To work out the purchase price on the average quotation of all the different classes of Railway stock in the United Kingdom would be an enormous task, for one Company alone, the Great Central, has Debenture stock, 2nd Debenture stock, five different classes of Guaranteed stock, and about

ten of Preference stock. Not only this, but there are certain stocks of small unknown Railway Companies which are not quoted, they being held by the large Railway Companies controlling their lines. To arrive at an idea of how purchase at average market price would work out, I have taken two large companies, viz. London and North Western Railway and Great Northern Railway, and have calculated the valuation of their stocks based on the mean middle price between the highest and lowest touched each year during the five years 1907–11. The following statements will show the result, and show also that for those securities which are not quoted but are held by the Companies themselves, the par value has been taken, and as the average yield on these unquoted securities, calculated on par value, works out at 3·6 per cent. and 3·93 per cent. respectively, it will be seen that they have been rather overvalued than undervalued:—

LONDON AND NORTH WESTERN RAILWAY CO., LTD.

Cost of Purchase based on Value of Securities.

Value of Share and Loan Stock of the London and North Western Railway Company based on the middle prices between the highest and lowest touched each year for the five years 1907–11	£141,980,532
Par value of securities in other companies worked wholly or partly by the London and North Western Railway Company	2,924,715
	£144,905,247

Cost of Purchase based on twenty-five times the average Annual Profit for the Three Years 1910-11, £149,943,875.

The dividends or interest at present paid on the securities of the Companies worked by the London and North Western Railway are as follows:—

Amount.	Dividend or Interest per cent.
£536,419	Nil.
55,990	3
389,049	$3\frac{7}{16}$
970,753	4
279,089	$4\frac{1}{2}$
20,000	$4\frac{3}{4}$
318,029	5
312,500	6
42,886	9
£2,924,715	Average Yield, 3·6 per cent.

GREAT NORTHERN RAILWAY COMPANY, LIMITED.

Cost of Purchase based on Value of Securities.

Value of Share and Loan Stock of the Great Northern Railway Company based on the middle prices between the highest and lowest touched each year, for the five years 1907-11	£53,072,341
Par value of securities in other Companies worked wholly or partly by the Great Northern Railway Company	3,262,900
Total,	£56,335,241

Cost of Purchase based on twenty-five times the average Annual Profit for the Three Years 1909-11, £56,809,050.

The dividends or interest at present paid on the

securities of the Companies worked by the Great Northern Railway Company are as follows:—

		Per Cent.
£600,000	.. ..	6
48,000	.. ..	$6\frac{1}{2}$
16,000	.. ..	$3\frac{1}{2}$
1,014,000	.. ..	$4\frac{1}{120}$
250,000	.. ..	$3\frac{1}{2}$
75,000	.. ..	$\frac{7}{10}$
46,000	.. ..	3
15,000	.. ..	4
3,500	.. ..	5
9,800	.. ..	3
600,000	.. ..	3
585,100	.. ..	3
£3,262,900	Average Yield, 3·93 per cent.	

These tables are very interesting, for they show that, in the case of the London and North Western Railway, stockholders, if bought out on twenty-five years' purchase of the average profits for the last three years, in terms of the 1844 Act, would receive over £5,000,000 more than if bought out on the basis of market prices; and in the case of the Great Northern Railway they would receive about half a million less. It is a significant fact, and shows how the present management has depreciated the value of the stockholders' undertaking that in some cases compulsory purchase by the State on terms of the existing Act would work out to the advantage of holders, for the market price must be considered as the best possible test of the value put upon a concern by stockholders and those expert in valuations of this sort. It is, therefore, quite possible that State purchase might be effected on the

basis of the average market price, and in this event it should be borne in mind that as the purchase of stock carries with it the next dividend, the net cost to the country would be some millions less than the totals given above.

CHAPTER XVII

WHAT PROFIT SHOULD A NATIONALISED RAILWAY SYSTEM EARN?

THE very question which forms the heading of this chapter shows the difference between a Company-owned and a State-owned railway system. In the case of the former the question would by many be deemed absurd, for it is obviously the duty of the management of a joint-stock company to earn the maximum amount of profit possible for its shareholders. As soon, however, as the railways are owned and operated by the State, they are to be regarded purely from the standpoint of a great public service, and the question arises how much profit should they make?

Most people will agree that the revenue derived from a public service should be sufficient to meet all outgoings, to provide for maintenance of plant and any depreciation that occurs, to meet the interest on the debt which has been incurred for the purchase or construction of such service, and, furthermore, to provide for the gradual redemption and extinction of such debt. It will also readily be admitted that a reserve fund for contingencies should also be created. But when all this has been done, and there is still a surplus,

what should be the aim of the administration? Should it endeavour to maintain and increase such surpluses, as would undoubtedly be done by an ordinary commercial undertaking working for profit, or should it utilise such surpluses to give increased facilities, to reduce fares and rates, and to improve the conditions of the employees?

First, let us look at the matter from the standpoint of the community. It seems fair enough that the user of a commodity or service should pay sufficient for the service rendered to cover all the costs referred to above;[1] but if large profits are earned over and above the cost of these services, and such profits are applied to the provision of other services, or to the relief of other taxation, users of the railways may rightly argue that they are being unduly taxed, *qua* users of the railways, to pay for other services, thereby relieving other people who do not make the same use of the railways of their burden of general taxation. This is much clearer if we regard the question as it applies to municipal trams, although the principle is precisely the same when applied to a national railway system. If a municipal tramway system makes an annual profit on, say, £10,000, which is applied to the general relief of the rates, the rates to be collected from the general body of ratepayers would, of course, be diminished by that sum, contributed wholly by users of the tramways. The citizen going to and from his work would not

[1] This reasoning applies to bridges—in fact, nothing seems fairer than to urge that those persons and vehicles which make use of such a service should bear their fair share of the cost—but in practice it has been found more economical to communalise our bridges, the cost being thrown upon the whole community.

merely be paying his ordinary share of the cost of drainage, road maintenance, and other public services, but would be contributing a further sum to the upkeep of those services, simply because he used the trams. 'Why,' one can imagine him asking, 'should I be penalised in this manner?'

It is precisely the same with a national system of railroads. Unfortunately, with the constant and growing need for augmented revenues, the temptation to harassed Chancellors of the Exchequer to make use of railway surpluses for general purposes is such that there is a great temptation to regard a State system of railways as the national milch cow. This was for years the case in Prussia, which, after providing for interest and redemption of the railway debt, has contributed to the national exchequer no less than £150,000,000.

It amounts to this, that any profit over and above the legitimate charges referred to in the opening paragraph of this chapter, derived from a public service, is nothing more nor less than indirect taxation, and is to be regarded exactly as a duty placed upon railway travel and the transport of goods by rail, as the present duty upon tobacco, tea, sugar, and other dutiable articles. National necessities may be such as to justify the imposition of such taxes, but then let it be clearly understood that they are taxes. In the case of Company-owned railway systems, the whole question does not, of course, arise. We do not then call the surpluses 'indirect taxation,' for they do not go to the benefit of the nation, but are distributed as dividends to shareholders. What, therefore, is indirect taxation in the case of a State-owned undertaking is merely profit when it flows to a restricted

number of individuals; there are, however, some people who go so far as to regard such profits as nothing but indirect taxation, imposed by and collected for the benefit of a few people, instead of by and for the whole community.

In view of all these circumstances, how are we then to answer the question at the head of this chapter? I have little hesitation in saying that the need for satisfying the shareholder (who naturally enough always hopes for increased dividends) having disappeared, and the desire for profits being no longer the driving force, surpluses should be utilised to increase facilities, to create certain services which conduce to the prosperity of the nation, but may not immediately be productive, to reduce rates, and to improve the conditions of the workers. That there is nothing Utopian in this idea is shown by the fact that the Post Office has for years been working more or less along these lines, and that, as is pointed out in Chapter IX. (the Railways and the Post Office), while the railways are seeking to increase their fares and their goods rates, the Post Office has proceeded in absolutely the opposite direction by increasing the facilities offered to the public, by increasing the weight of letters and parcels permitted at the standard rates, and in many cases actually reducing these rates. Prudence, however, dictates that just as the well administered company has a dividend equalisation fund, so that in a lean year it may be able to distribute the usual rate of dividend to its shareholders, a certain reserve fund should be accumulated by the railway administration, so that in a time of depression the net receipts do not fall below the level required to meet all the obligations and services already referred to.

CHAPTER XVIII

OBJECTIONS TO RAILWAY NATIONALISATION

State Management is less efficient than Company Management, as, for example, in the case of the Telephone System.

No argument has ever been put forward explaining why the same managers and workers who are efficient when employed by Companies suddenly become either incapable or malevolent when their paymaster is the State. The truth is, of course, that some Company-directed undertakings are efficient and some are inefficient, and that some Government-owned undertakings are efficient and others inefficient, this being largely a matter dependent upon the persons who happen to be in control. If a gentleman is appointed as head of a technical undertaking solely because he happens to be a retired military officer with influential friends, he is not likely to make a success of the enterprise entrusted to his charge, whether it be a Government department or a Limited Liability Company. Favouritism in connection with the higher posts is, unfortunately, rampant both in Government departments and commercial undertakings, and particularly in the case of the Railway Companies. To get a clear view of this matter we must first of all decide what is the measure of efficiency. If the sole measure is to be profits, it must be frankly admitted that Company ownership will always be superior to Government ownership. You cannot give a good and efficient service, always be introducing improvements and fresh facilities, pay your workers

a good wage, reduce excessive working hours, lower goods rates and passenger fares, pay more regard to the safety of life and limb on the part of both passengers and employees, *and at the same time* earn ever-increasing profits. As is shown by the case of the Post Office, you can do all these things and have an adequate surplus; but there is no doubt that a Company working the Post Office system could, by clever commercial management, such as adjusting rates and refusing to carry a letter from London to Aberdeen at a loss (not to speak of from London to San Francisco for the same rate), by 'speeding up' its employees, and by reducing numerous facilities, show much larger profits. As to the telephone system, the complaints which arose *immediately* the State took over the National Telephone Company's undertaking were shown to be unfounded, for no change in the working arrangements took place for some time after the transfer, and the trunk line service, which has been operated by the State for several years, has been and is conducted with good efficiency. The fact is that the telephone service, from its very nature, never can be entirely satisfactory, for there is no method whereby one person who is actually engaged in a conversation can at the same moment engage in a conversation with some one who is endeavouring to telephone him. It is not denied, however, that during the transition stage the telephone system in London has been unsatisfactory in many respects, and it remains to be seen whether this will continue when the State has remedied the great defects in construction and equipment which it inherited from the National Telephone Company. As regards the other departments of the Post Office,

can any one dispute the efficiency with which their work is carried out? The telegraph service, for example, achieves wonderful results. And the ordinary work of the Post Office, in the quick and accurate delivery of letters, printed matter, and parcels, leaves little to be desired. Is there any opponent of State ownership who would seriously put forward the argument that the State should hand over the Post Office work to a Company or group of Companies which would operate it on 'commercial lines'? When the railways are taken over by the State the control can at once be taken out of the hands of the 1400 directors, mostly amateurs in railway administration, and placed in the hands of three or five railway commissioners, whilst the actual technical working can be carried on by the existing general managers of the most important railway systems. Can any one suggest that, working the entire railway system of the United Kingdom as a whole, the direction of the most important of the existing general managers would become less efficient?

There is another aspect of this question of Company versus State in the matter of efficiency, which should not be lost sight of, and it was excellently put by Mr F. H. Dent, the general manager of the South Eastern and Chatham Railway, in his presidential address to the Railway Students' Association at the London School of Economics, on the 22nd October, 1912, when he said :—

> State management would receive even less fair play from critics than our present railways receive, and every little failure would be held up as an instance of State mismanagement.

This is a most important argument in favour

of a State owned and operated system of railways, for opponents of State activities may be relied upon to throw a fierce light upon every instance of mismanagement or inefficiency, and as, with the railways under the State, it will be possible to give full publicity to all such instances of mismanagement by means of questions in Parliament, whereas at the present time there is no method of laying bare the numerous cases of bad management, favouritism, and corruption which are prevalent on the railway system, the very action of these opponents will be a most potent stimulus towards efficiency, and indeed one to be desired.

On a State System you have a lot of Red Tape, absence of Elasticity, and all sorts of Petty Regulations.

So far as the experience of most people goes, there is every bit as much red tape on a large railway system as there is in any Government department. It is unfortunately true that in anything out of the ordinary, officials are prone not to give a decision on their own account, but to refer back; this, however, is a disadvantage not inherent specially to Government departments, but really to all large undertakings, and is part of the price we have to pay for the better general organisation and service resulting from that centralisation of industry and administration towards which everything is now tending.

The making of some Six Hundred Thousand Men Government Employees would lead to corruption, as the Pressure of such a Large Body

of Voters might cause Parties to make a bid for their Votes by offering Better Conditions of Labour.

Before answering this objection the question might be put: If it is 'corruption' for voters to put those people in Parliament whose activities they think will most conduce to their own personal advantage, are we to apply the term 'corruption' to the numerous railway directors who, elected by the general body of voters, use their votes in Parliament in favour of the Companies whose paid servants they are? Leaving cant on one side, can any one deny that Labour problems are cutting right athwart politics, and that it is no longer possible to keep these questions out of political programmes? Any one would think that the railway workers, miners, and others had never hitherto exercised any pressure on either candidates or political parties, when, as a matter of fact, they are already sending their own members to Parliament in such numbers that they will soon outnumber the Railway Company interest itself in the House of Commons. And although neither the miners nor the railway workers are State employees, some people have a recollection of both these bodies of workers having compelled Parliament to suspend its deliberations on ordinary political matters in order to deal with the requirements of these bodies of workers. There is not much difference between calling upon Parliament to enforce certain demands upon employers (which Parliament has done at the behest of both the railwaymen and the miners) and giving consideration to the demands of these men as State employees. If there is much in this argument against Railway

Nationalisation, the point holds good with equal force so far as the Post Office, Government dockyards, arsenals, police force, and the like are concerned, and these establishments should be handed over to Companies. As a matter of fact, the railway vote, like the postal workers' vote, is distributed all over the country, and in those few centres where railway workers form the majority of the electorate, they already elect their own representatives to Parliament, and in this respect do not differ from the few dockyard constituencies, where Government employees, likewise in the majority, elect their representatives to Parliament.

You are likely to get more Improvements and more Inventions on a Company-owned System than on a State-owned System, where all initiative will be destroyed.

This point is not proved. The managements of our Company-owned Railways are notoriously hostile to new ideas, and a considerable proportion of those innovations they have introduced of late years, such as issuing tickets from automatic machines, the use of short motor trains and carriages with the erection of halts, have been in use on the State-owned Railways on the Continent years before they were introduced here. In electric traction we are so far behind, as compared with the State-owned systems of the Continent, that German engineers have had to come over here to electrify sections of our own railways, *e.g.* the London, Brighton, and South Coast Railway.

There is, however, more truth in this argument against railway nationalisation than in most of

those encountered, provided the following distinction is made: under Company management, the principal and avowed object of the Company being to earn profits for its shareholders, every new invention or suggested innovation or improvement is regarded solely from this standpoint. New ideas which would conduce more to the comfort and convenience of the community than to profits meet with a cold reception, and oftentimes with active hostility. For example, when one of the two Railway Companies controlling the service between the mainland and the Isle of Wight proposed to construct a tunnel so that train passengers could be conveyed to and from the island without transhipment, the other Company opposed it tooth and nail. When one tube railway wished to connect with a certain terminus, it was opposed by other railways; when one railway wishes to extend and give increased facilities to a certain district, it is bitterly opposed by another Company serving a portion of that territory; and this opposition is openly made, not in the public interest, but because the profits of the opposing Company might be affected by such additional facilities being given to the public.

The difference between the attitude of Company and State owned administrations is marked when it comes to measures which would increase the safety and well-being of passengers and workers, but would be detrimental to profits. The writer was in Germany a few years ago, when occurred one of the series of deplorable accidents that have taken place on the British railway during the last few years. Several passengers were burned to death. The Prussian State Railway Administration immediately had

experiments made, collisions being arranged in the presence of experts, and as a result certain additional equipment was immediately placed on all trains. Extracts from *The Times* and other papers showing the superiority of life-saving measures on the Prussian State Railways as compared with the British Company-owned Railways will be found in Chapter VIII.; these comparisons, it may be mentioned, having been made after the occurrence of another bad accident. As is pointed out in the same chapter, Government inspectors report that the goods couplings used on the British Railways are the cheapest in the world and give rise to many deaths, and the attitude in this regard, inherent to a railway system which is worked solely for the profit of shareholders, is shown by the significant extract from a financial article which will be found on page 95.

If a taxpayer were to express the same view in connection with a State-owned Railway system immediately after a most distressing railway accident, he would probably be lynched! But this sufficiently reveals the difference between the attitude that is likely to be taken up by a railway management which has behind it the pressure of shareholders eager (naturally enough, and no reflection is here cast upon them) to obtain increased dividends, and a railway administration whose primary consideration it is to serve the needs of the community in the best possible degree. An engine driver on the Prussian State Railways informed me that every engine driver there had to pass an examination in telephony, and that the whole of the system was so equipped that at any point, in the event of a breakdown or accident, the train staff could

immediately telephone for assistance. Compare this with the accidents which occur with too terrible frequency on our railways in isolated places, where one of the worst features is the time it takes before assistance is on the scene.

In the matter of inventions and improvements which make for increased profits, however, it must be admitted that there is something to be said for the objection here dealt with. The incentive to increased gain is keener where the system is run wholly for profit, and this being so, the brains of inventors and officials are much more likely to be directed towards improvements or inventions that would increase profits than to improvements or devices that would merely (!) serve the interests of the community.

The Rolling Stock and Services on some of the Continental Lines are Inferior to those of the British Railways.

This objection is inconclusive and is not fairly stated. Advocates of Railway Nationalisation have never asserted that *every* State-owned System is superior to *every* British Company-owned Railway System. Nor is it a question of comparing British Railways with Foreign Railways; for some Foreign Railways are Company-owned. If we are going to compare foreign State-owned Railways with British Company-owned Railways, which are we to select for the comparison? Certainly not the worst of all the State-owned Systems and the best of the British Company-owned Systems. Are we to take the Western of France Railway, the German Railways, or the Swiss Railways? And in making our comparisons with the British Railways, are we to take the London and North Western or the Great Eastern?

the Midland or the Caledonian? the North Eastern or the South Eastern? And are we to compare a main line service in one country with a local service in another? All these points are important. I have travelled on local lines of the Midland Railway where the rolling stock was atrocious. It is not enough to limit one's investigations to the train service between London and Manchester; ask the inhabitants of Walsall what *they* think of the Midland Railway. To institute comparisons one must make the conditions equal. I have travelled in old third-class carriages on the Belgian State Railways which were dog-kennels compared with the third-class carriages of, say, the London and North Western or the Midland lines; but a second-class journey on the Belgian State Railway would have cost me less than the third-class in England; and, on the other hand, I have travelled in third-class carriages in England much inferior and certainly much less sanitary than carriages of the same class on the Belgian, Swiss, and the German State Railways. I have travelled from Euston to Glasgow in a third-class carriage so recently as January, 1912, when the rain dripped through the ceiling. As one who travels some thousands of miles every year in Europe, I have no hesitation in saying that, on the whole, the rolling stock on the State-owned railways of the Continent is superior to that in use in the United Kingdom, and that the comfort of passengers is looked after to a much greater degree, as, for example, by the provision of folding tables in third-class compartments, better waiting-rooms, cheaper and superior refreshments, and increased facilities for the obtainment of the same. On the other hand, the British system of platforms on

a level with the footboard is superior to the low-level platforms in vogue on the Continent and in America, and the speed of express trains on one or two of our best lines is superior to that on the generality of the State-owned lines of the Continent. Because we nationalise our railways, it is not to be assumed that because we take to ourselves the advantages which other nations enjoy by means of their State-owned systems run in the public interest, we should necessarily forgo those things in which we have the superiority.

Competition means more Facilities for the Public.

Only between certain towns, and these facilities are now being reduced, for, in the words of Sir W. Guy Granet, general manager of the Midland Railway, 'The paradoxical position under the rule of unlimited competition is that competition must be restricted or ruin will inevitably follow.'[1]

Increased facilities granted to certain favoured localities have to be paid for by other localities where the Company has a monopoly. It is small consolation to the daily passenger on a wretched slow suburban service, travelling half-frozen on winter days in unheated carriages, to know that the few people journeying between London and Manchester travel in fast well-appointed corridor trains.

How about the French State Railways? Are they not being worked at a Heavy Loss and with frequent Accidents and all other sorts of disadvantages? (here the objector usually becomes vague).

[1] Report to Board of Trade, 1907.

There are well-administered State Railways and badly-administered State Railways, just as there are well-administered Company-owned Railways and badly-administered Company-owned Railways. The case for Nationalisation of Railways is that, of the two systems, the State-owned system is much better adapted to the needs of the community, and is in obedience to the whole trend of modern business management, which is towards large units. Let us, however, examine the French State Railway System a little more closely. There are two French State Railway Systems. The old one has been in existence for many years, and consisted of a number of derelict lines which the State took over in the public interest. This system has been well managed and has always been the first to introduce reforms—for example, it was the first to heat all its carriages in the winter (years before the British Railway Companies commenced to think about it), and carried third-class passengers on its day express trains at a time when the French Railway Companies compelled third-class passengers on their systems to travel at night. The French State System which most objectors have in their minds is, however, that of the Western of France Railway, which public opinion compelled the State to take over in the year 1909. This system had been a drain on the French exchequer ever since its establishment, and its management was so atrocious that it became a byword throughout Europe. Public indignation with the Company reached its culmination when one morning, thousands of passengers, infuriated at several hours' delay, destroyed the glass roof of the St Lazare terminus in Paris by stone throwing,

instead of waiting for the roof to collapse of its own accord, as occurred at Charing Cross Station some years ago. (Had Charing Cross Station belonged to a State-owned Railway System, instead of to a Railway Company, it would have been put forward as an argument against nationalisation.) In the face of great opposition on the part of interested parties, the French Government carried through the nationalisation of the system, and found that it had taken over an almost derelict line in dreadful repair, with equipment even worse than that in use on many of the local lines in the United Kingdom. That accidents should be frequent on a system with a permanent way that had been left to go to rack and ruin, with engines that were continually breaking down, and an obsolete equipment of line, is no cause for wonder; and accidents had been of frequent occurrence for years. But the moment the State entered into possession of the line, not even a minor accident could occur without special prominence being given to it in the Press, whereas when similar accidents occurred on the Company-owned systems of France, they were either dealt with in a short paragraph or were not reported at all. And then, because the French Government, since it took over the system, is expending millions every year on betterments and is showing worse financial results than the Company it dispossessed, critics wish to hold it up as an example of the failure of nationalisation! What they do not report is that a steady improvement has been in progress ever since the system was nationalised, so much so that the Association of Season Ticket Holders on the line presented an address to the general manager, felicitating him upon the vast

improvement that had taken place in the service since the State took over the line.

As is shown on page 153, the railway experts sent to France by our own Board of Trade report that the State administration has effected an improvement over the state of affairs obtaining when the system was Company owned, and the following extracts from reputable London papers not at all prejudiced in favour of State-owned undertakings deserve publicity:—

Under an energetic Minister and a practical general manager, the Ouest-Etat Railway is making strides towards perfection. Presently one of the jokes of the café concert will have lost its point. The trains positively run to time nowadays, and now other reforms are to be instituted. During this week a summer service will be established between Paris and Trouville, which will accomplish without a stop the 219 kilometres that separate the capital of France from the summer capital of pleasure.

For the first time in history the Paris train will rush disdainfully through the great glass-roofed station of Evreux without drawing breath, and reach the Normandy resort in 2 hours 45 minutes. If this is not a terrifying speed, it is a very respectable one, effecting a saving of more than sixty minutes on the route, and representing an even fifty miles an hour. And beyond that pace the Ouest-Etat trains are forbidden to go, the chief desire of the administration being to avoid accident.

A SOLID ROAD.

This laudable ambition is aided by the fact that new rails now lie between Paris and the sea—rails of good, solid construction; at the same time, the road-bed is well ballasted. Added to this, the bridges and viaducts have been strengthened. Three non-stop trains pass by Evreux to Trouville or to Paris

during the day. The first leaves Paris at three o'clock, or rather 15h. 45m., to arrive at the fashionable resort at 18.29—that is to say, in two hours and three-quarters, less a minute. The time hitherto has been four hours.

Another train leaves Trouville at 8.43 in the morning to disembark its passengers at the Gare St Lazare at a quarter-past noon. And, finally, a third train, which already exists, but has been quickened for the occasion. It leaves the Norman beach at half-past three and arrives here at half-past six.

And one hears excellent accounts of the work that is now going on between Paris and Dieppe, which will accelerate the journey and augment the traffic between England and France. The line is being doubled in some of its sections.

The State has resolved, evidently, upon a forward policy, which is bound to have a favourable result upon traffic earnings, though, for the moment, the deficit has been increased to a formidable extent. On the suburban lines steam traction will give place to electricity, and the development which is expected to result will render more than ever necessary the proposed enlargement and improvement of the Gare St Lazare.—*Pall Mall Gazette*, 9th July, 1912.

NEW STATE TRAINS.

I saw some of these trains dart out from the Invalides Station. They consisted of two brand-new electric Pullman cars, beautifully painted in green and white, the colours of hope and integrity. They shot out of the station towards the Champ de Mars at intervals, like birds let loose from a trap at a pigeon-shooting contest; and from the bridges along the subway people looked down in wonder at the novel sight. The State Railway had waited for the day of the Presidential Election to inaugurate its new cars and auto-motors, and the innovation was

greeted with applause. At eleven o'clock one could take a seat in one of these trains, pay a flying visit to Versailles, say "Bonjour" to friends lunching at the Hôtel des Reservoirs, be back in Paris at noon, and lunch comfortably at home, all thanks to the innovation of the State Railway.—*Daily Telegraph*, 18th January, 1913.

It is not, however, claimed here that the administration of the Western of France Railway, after it was taken over by the State, was good. So far as I have been able to ascertain the inner history of the undertaking, the state of affairs for the period immediately following nationalisation was little, if at all, superior to that which obtained under the old Company régime. Many of the higher officials of the Company who remained in the service of the State showed a sullen hostility to the new régime, and there is possibly some truth in the assertion that many people were given jobs on the railway through favouritism. The advantage, however, of State ownership is that, as has already been pointed out, it is so exposed to public criticism, and as a result of the complaints that were made following upon one or two accidents, the French Government found itself compelled to make a clean sweep of many of the officials. Now the reformed administration is making its effect perceptible, large sums of money have been voted for a thoroughgoing improvement of the system, which is to be transformed, many parts are to be electrified, and it is the intention of the French Government to make the Western State Railway one of the model systems of Europe. A few years will show whether this is accomplished or not.

Our Goods Service is Faster than that of the State-owned Railways of the Continent.

This is only half stating the truth. The transport of goods on the Continent has developed along lines entirely different from those on which it has developed in England, and has been much more systematised. There is the ordinary slow goods traffic (*petite vitesse*), which is certainly slow according to the English idea, occupying between three and four days for a journey which in the United Kingdom would take between one and two days; but this *petite vitesse* service is exceedingly cheap. Then there is the faster goods service, for which a higher rate is charged, and in connection with which, on payment of a small fee, the railway administration absolutely binds itself to deliver within a certain number of hours, and if it does not carry out this undertaking has to pay the consignor an indemnity regardless of whether he had suffered any loss by the delay or not. But over and above this different system, there is the one great fact that in countries where the railways are owned by the State, the railway system and the Post Office are so closely interwoven that most of the consignments which in the United Kingdom have to be sent as goods traffic *are carried by parcels post at much lower rates*; for in these countries it is possible to send by parcel post consignments weighing up to 1 cwt., which are delivered with the same celerity that is displayed by our Post Office in connection with its smaller parcel post traffic. The advantages to the manufacturer and trader of being able to send consignments of goods of any description weighing up to 1 cwt., to any part of the country at one fixed

charge, regardless of distance and with the assurance of delivery on the following day, can hardly be over-estimated, and a system of this sort places the most remote country districts on an equality as regards cost of transport with places in the vicinity of the big towns and centres of production. This one realises most vividly in Switzerland, where right up in the mountains, a three hours' railway journey and a four hours' mule journey from the nearest large town, one sees bicycles, sacks of produce, etc., being delivered by the Post Office at the one uniform rate. The charge for transporting a package weighing ½ cwt. from any one portion of Switzerland to any other, by the post, is 3s.; and a 1 cwt. package is carried for the sum of 5s. 11., whilst the maximum British weight of 11 lbs.; goes for 4d. in Switzerland.

State Railway Systems have trouble with their Workers, as, for example, Italy, Australia, and France. Under the State the Men are likely to agitate more than where Business is carried out on Commercial Lines.

So far as I am aware, no one has ever said that State systems never have trouble with their workers, but I am certainly prepared to go so far as to say that State ownership means less labour unrest and fewer strikes. We have a good instance in our own country. The Post Office is run by the State and the railways are run by Companies. For many years past there has been an agitation on the part of both sections of workers for improved conditions, but when have we had a general strike of postal employees? Control by Companies directed by gentlemen

who are entirely out of touch with, and wholly unsympathetic towards, their workers, and are not subjected to criticism and the searchlight of public opinion, as is the case with every public service, has caused hundreds of sectional outbreaks on our railways, two of them of so widespread a nature that Parliament has been forced to intervene. One of the objections urged against nationalisation by many people is that the workers immediately get better pay and conditions; this of itself diminishes the labour unrest and to a certain extent lessens the likelihood of a serious agitation. Whether under State or Company control, we are never likely to be wholly free from agitation, for what business man finds himself wholly freed from requests on the part of his staff for rises? The strange thing is, that when such a request comes from railway workers, it is termed 'agitation.' Knowing that their grievances or requests will be duly ventilated by means of questions in Parliament, workers on a State system are much less likely to revolt than is the case with management like that at present in control of the British Railways.

The main point in all these labour disturbances is: Do the facts of the case justify the workers' demands? With State ownership, which means the publication of full statistical data, a discontinuance of the process of watering capital, and the cessation of petty persecution, all such questions would be dealt with on their merits; all the cards would lie on the table, and public opinion would be the determining factor.

For these reasons, strikes are of much rarer occurrence on State railway systems than on Company-owned systems. In France, the men on the Company-owned lines were out on strike

for concessions, most of which had for some time been enjoyed by their co-workers on the State system, who struck with them from a sense of solidarity. On the French, German, Swiss, and other State Railways, workmen delegates have seats on Advisory Councils or Boards of that description, and are in much more direct touch with the administration than has ever been the case in this country. From the point of view of labour unrest, I see no possible solution other than that of nationalisation, which, by reason of the vast economies described on page 202, is the only method whereby sufficiently large sums can be set free to permit of the granting of the just demands of the men.

To Purchase the entire Railway System of the Country would more than double the National Debt, and with Consols so low that they only yield 3 per cent., this would be absurd.

The first part of this objection reveals ignorance of the first elements of business and finance. If a large Company, like J. & P. Coats, Lever Brothers, or Brunner, Mond & Company, issues fresh capital or Debentures for the purpose of buying up some fresh business, no sane shareholder protests that it is 'increasing its indebtedness.' At the present moment, the 'debt' of the Railway Companies (for capital is also a 'debt,' the 'debt' being to the shareholders) exceeds £1,324,000,000, and if the State were to buy up the whole of their assets and issue £1,175,000,000 Government Loan in respect thereof, it would not be increasing its real or net debt at all, any more than I, if I buy a house for £800 and borrow that sum on its security,

am increasing my net indebtedness. It must be remembered that the £1,824,000,000 of Companies' debt would be wiped out, or rather replaced, by a Government Railway Loan, so that while the assets remain the same, the amount of nominal indebtedness thereof would *really be reduced.*

The objection that the issue of so enormous an amount of Government Railway Loan would be likely to bring down the price of Consols and other Government securities still further has more justification than most of the other objections raised, and the operation would have to be handled carefully. On the other hand, as pointed out above, the operation does not involve the creation of any fresh debt, seeing that at least an equal amount of securities at present in the hands of the public would be cancelled; it amounts really to a conversion, and if the holders of a large portion of existing railway securities either refused to take the new Government Loan, or sold it as soon as received (according to whether the terms of the purchase gave them the option of stock or cash, or compelled them to take payment in Government Loan), this amount of capital would be set free seeking investment in some quarter or other, and if these millions found their way into other securities of the same class, the price of these would rise so much that the Government Railway Loan would in comparison be a most attractive investment. When a Government converts its Loan into one yielding lower interest, it usually employs the services of a syndicate of bankers and financial houses to carry through the operation (Messrs. Rothschild did this a year or two ago for the Brazilian Government), and if done in this fashion, there

need be no fear of any serious dislocation in prices. In fact, by making the Loan redeemable at par within a fixed period it would become a more popular investment than many of the Railway Debenture stocks, holders of which have lost a large portion of their capital in view of the heavy depreciation that has taken place.

CHAPTER XIX

What Railway Managers Think[1]

ARGUMENTS IN FAVOUR OF ONE SYSTEM

I submit that amalgamation, or working agreements equivalent thereto, may with advantage go further, and for the following reasons :—

There are Companies whose geographical position and circumstances are such as to determine the desirability of amalgamation in the public interest, apart altogether from financial advantage to the Companies concerned.

Where such Companies are competing for a large volume of business, as they generally are, by circuitous routes, and hauling traffic, it may be, fifty or sixty miles farther by one route than by the other, it constitutes something little short of national waste, provided always that the shorter route is able to deal with the traffic on line and at terminal stations.

Passenger train services which could be far better arranged to meet the public needs are duplicated, and cross-country and branch line trains connect with one main service only, and that often the worse of two routes.

Where running powers are exercised under such circumstances they are to the detriment of the

[1] The headings are mine.—E.D.

general train accommodation of the district, often adding to the troubles of an already congested main line, and are duplicates which would be easily avoided under one management.

In the collection and delivery of merchandise and parcels, the streets are burdened by unnecessary vehicles, due to the employment of two where one would well suffice.

The availability for traffic generally of receiving and delivery depots of each of such companies would secure to the public additional and often much needed facilities for shorter and more expeditious, and, consequently, less costly cartage.

The interchangeability of tickets by such competing routes should not fail to be of great advantage to the travelling public.

Then there is the financial advantage gained by the fusion of routes, providing thereby alternative ways for the conveyance of traffic between principal centres. The congestion of one route which, in its singleness, could only be met by capital outlay, can be relieved by the alternative route being in the hands of the one controlling agent who can use the means of communication at his disposal to the best advantage, and get full economic results from the original capital outlay on the line.

The expenditure of new capital upon a congested route really amounts to waste when an alternative route, albeit in the hands of a rival Company, sufficiently clear to deal with the traffic, is available.

The expense of a second executive would also be saved.

Another important result to be achieved by such amalgamations is the broadening of the area of revenue fluctuation. Where a Company to-day relies mainly upon one industry, or one source of traffic, be it coal or be it cotton, miscellaneous manufactures of iron and steel, or agriculture, or passenger business of a suburban character, or pleasure traffic to the

seaside, and that particular revenue is, by reason of depression, seriously reduced or fluctuates as between summer and winter, the effects are damaging to the community in more ways than one.

Firstly, practice—indeed, necessity—compels such Company to employ a not inconsiderable number of casual hands, at once the worst form of labour for the employer, and the most demoralising to labour itself.

In the instance of winter goods traffic being heavier than in summer, labour is displaced, and grades and pay reduced, unless increased passenger business is sufficient to absorb the surplus.

. . . . . .

A financially weak railway is unable, by reason of its inherent weakness, to render a service in the district it covers equal to that of a good paying line, either by way of raising capital to meet the cost of structural alterations or additions necessitated by traffic having outgrown the limits of the line as originally constructed, or for an alteration in or augmentation of equipment which the changed conditions of trade or traffic may have made desirable.

SIR SAM. FAY,
General Manager, Great Central Railway.
(*Memorandum to Committee of Board of Trade Railway Conference*, 1909.

DIVIDED CONTROL MEANS WASTE

What I see advantageous is, that where railways are wasting money by divided control and by competition of little or no public utility in districts where their geographical situation and their intercommunication makes alliance natural, then they should be encouraged and given the fullest facilities for combining into one system, provided always that the one system is well within the administrative powers of a single executive.

On this latter point we have, I think, some guide

from Germany, where, forming the Prussian State Railways, there are 21 railway districts having each separate rate schedules, practically separate equipment and management.

SIR SAM. FAY,
General Manager, Great Central Railway.
(*Memorandum to Committee of Board of Trade Railway Conference,* 1909.

In the service of cartage, competition leads to expenditure which would be unnecessary if it did not exist. Vans are sent out with light loads in order to secure the earliest delivery, and in many cases, and particularly in the suburbs of larger towns, two or three vans will be engaged in delivering light loads which could easily be conveyed in one.

Again, the delivery boundaries of the various companies extend into each other's districts, and thus there is a considerable overlapping and waste of resources.

SIR CHARLES J. OWENS,
General Manager, London and South Western Railway.
(*Memorandum to Committee of Board of Trade Railway Conference,* 1909.)

Certainly all capital had not been wisely expended. The traffic to and from the counties of Sussex, Surrey, and Kent, even with the Continental traffic added, ought not to require a tunnel under the Thames and five bridges over it, four of the latter each carrying several lines of rails.

MR F. H. DENT,
General Manager, South Eastern and Chatham Railway.
(*Address to Railway Students' Association, reported in* '*Railway Gazette,*' 25th *October,* 1912.)

There is still another economy common to both classes of amalgamation, which deserves careful consideration, and that is the economy which would result from greater uniformity of rolling stock and

railway plant generally. Perhaps no better illustration can be given of this than brakes. It cannot but be disadvantageous that the East Coast route from London to Scotland should be in the hands of three separate companies, two of whom use the Westinghouse brake and the other the Vacuum, involving an expenditure in 'dual fitting' which would never have been incurred had the route belonged to a single company.

MR A. KAYE BUTTERWORTH,
General Manager, North Eastern Railway.
(*Memorandum to Committee of Board of Trade Railway Conference*, 1909.)

Competition between the various railways led the Companies to offer certain facilities from which, however, the public generally gain little or no advantage. For instance:—

(A) A Company having the longer route, had, in order to compete with a Company with a shorter route, to run their trains at a greater speed and sometimes extra trains in order to give an equally good service;

(B) For the same reason the competing Companies carried light loads of goods in their wagons, thus using a larger number of wagons than would have sufficed to convey the traffic if it had been carried by one Company;

(C) At the termini one Company carted goods long distances from the Sender's premises, or to the Consignee's premises, for the purpose of competing with its opponents, whose station was better situated for securing traffic. In many cases the competition led to the cartage of traffic between a town served by one Company and another town served by another Company.

(D) The competing Companies have spent large sums of money on Capital Account in providing special accommodation (such as warehouses for the purpose of storing their goods for long

periods), and in many cases have received no payment for the accommodation provided;

(E) The Companies in competition with each other have allowed their wagons to remain under load for long periods, free of charge, with coal, ore, and other descriptions of raw material forwarded to works in quantities beyond the capacity of the traders' storage accommodation;

(F) In many cases unreasonable claims have been made by some traders and paid by the Railway Companies in order to retain traffic;

(G) There is a number of undertakings (Joint Lines, Joint Stations, etc.) owned jointly by two or more Railway Companies, and the contending interests of the Owning Companies involve the employment of separate staffs for the management and maintenance of these undertakings;

(H) The exigencies of competition have rendered it necessary for the Companies to maintain at large cost a staff of Canvassers and other Agencies (such as Offices for the reception of goods and for booking passengers) which would otherwise have been unnecessary.

With regard to (A), (B), and (C), although the practice involved the Companies in considerable expenditure, it is obvious that the traders could receive no profit or advantage from the competitive efforts of the Companies.

With regard to (D) and (E), the traders who did not provide sufficient warehouse and storage accommodation would doubtless benefit by the storage provided by the Companies at stations and in wagons, but, on the other hand, this was unfair to the traders who incurred the expense of providing accommodation sufficient for their requirements.

With regard to (F), the practices of some traders were a serious burden on the Companies, and, on the other hand, the pecuniary advantage gained by them

must have imposed on other traders a corresponding disadvantage in their competition.

With regard to (G), a combination of the interests of the Companies owning Joint Lines, Stations, etc., would effect economies in their management, without detriment to the interests of the public.

With regard to (H), the employment of Canvassers and other competitive Agencies forms a substantial burden on the Companies, and it is doubtful if they bestow any appreciable benefit on the traders.

The late Mr R. Millar,
General Manager, Caledonian Railway.
(*Memorandum to Committee of Board of Trade Railway Conference*, 1909.)

Many so-called 'Facilities' of Little Value

Whether competition from the point of view of the Railway Companies has not been carried to excess is another question altogether. In these days, there being no competition of rates (which must, as already stated, be in all cases equal), the competition is that of facilities only, and it cannot be doubted that facilities are afforded at great cost to the companies which are of little real value to the public. For example, more trains are run between many competitive points than are really necessary even from the point of view of the most exacting traveller. Manchester and London may be cited as affording a familiar case. The total number of trains run between these points in 24 hours is 110, 57 down and 53 up. Of the down trains 29 start from London between the hours of 10 a.m. and 5 p.m. In the opposite direction there are no less than 30 between the same hours, while there are 7 from London in the hour between 12 (noon) and 1 o'clock and 7 from Manchester between 10 and 11 a.m. Making due allowance for the accommodation of intermediate towns, it is obvious that some of the trains between London

and Manchester are unnecessary and could be dispensed with by arrangement between the companies interested, and without any real disadvantage to the travelling public. The Companies do not require Parliamentary authority for this step.

MR A. BEASLEY,
General Manager, Taff Vale Railway.
(*Memorandum to Committee of Board of Trade Railway Conference*, 1909.)

MANAGERS HANDICAPPED BY PRESENT SYSTEM

Another direction in which advantage to the public might be looked for is in greater freedom of action on the part of the manager of a railway where competition has been to a great extent eliminated, and so greater power is given him to try experiments

SIR W. GUY GRANET,
General Manager, Midland Railway.
(*Memorandum to Committee of Board of Trade Railway Conference*, 1909.)

Moreover, it is not merely that the absence of competition would in itself necessarily put an end to a great deal of unnecessary train or wagon mileage, but, by freeing the officers of the two companies from the necessity of spending their time in scheming how to secure traffic for their own line, it would enable them to throw their best efforts into what, under an ideal system, would seem to be the proper channel for the efforts of the brain-workers on a railway, viz., on the operating side, devising how best to combine economy and efficiency of working, or, in other words, how to give to the public the greatest facilities at the least cost, and, on the commercial side, trying to create and foster new industries and generally to develop to the fullest extent the resources of the district which the Company exists to serve. At present much of the time and energy of the more highly-paid officials of a Railway Company is taken

up with work in which the trading community has no interest, and which is only rendered necessary in the interest of the shareholders whom they serve by the keen competition which exists between Companies

Mr A. Kaye Butterworth,
General Manager, North Eastern Railway.
(*Memorandum to Committee of Board of Trade Railway Conference*, 1909.)

Where the State Railway officer would gain would be in the cessation of questions arising out of the conflicting interests of Railway Companies; he would not have to be constantly resisting demands of public or Parliament. . . . On the whole he would have more time to devote to the real business of a railway manager or superintendent, *i.e.* the operation of traffic.

Mr F. H. Dent,
General Manager, South Eastern and Chatham Railway.
(*Address to Railway Students' Association, reported in 'Railway Gazette,' 25th October*, 1912.)

Unification Means Vast Economies

Otherwise, an amalgamation between competing Companies not only makes possible the minor economies already referred to as possible in the other class of case (*e.g.* reductions in the number of directors and higher officials, etc.), but would often enable considerable sums of money to be saved in other ways both on the operating and the commercial side.

This point is too obvious to need elaboration. For instance, it is well known that Railway Companies find it necessary to spend large sums of money in canvassing against one another, and if competitions were removed by judicious amalgamations, the greater part of this money could be saved. How much of the expense of canvassing can be saved by a particular amalgamation depends, largely, on the nature of the

competition left; if two out of three competitors join hands, probably the saving under this head will not be great, whereas if the effect of the amalgamation were to put an end to competition in defined areas, the saving might be considerable.

MR A. KAYE BUTTERWORTH,
General Manager, North Eastern Railway.
(*Memorandum to Committee of Board of Trade Railway Conference*, 1909.)

The amalgamations which resulted in the five existing Scottish undertakings simplified the railway arrangements of Scotland, and enabled economies to be effected in working and management, as well as the giving of services and facilities to the traders and the public which would have been quite impossible with a large number of comparatively small railways, and the arrangements which at present exist among the five Companies with regard to routing of traffic and mutual availability of tickets have done something more in the same direction. There is no reason to believe that a further scheme of amalgamation which would unite in one all the railways of Scotland would not have the same beneficial results as attended the amalgamations which have already taken place.

There would, by such an amalgamation of the five railways, be saving (1) in the cost of direction, management, and staff generally; (2) as a result of the common use of working stock and plant; (3) by the discontinuance of duplicate services and stations; (4) in the cost of advertising and canvassing at present considered needful for competitive reasons; and (5) in the simplifying of the whole arrangements of the Companies, particularly in connection with joint lines, exchanges of traffic, running powers, etc.

MR W. F. JACKSON,
General Manager, North British Railway.
(*Memorandum to Committee of Board of Trade Railway Conference*, 1909.)

Unification Means Better Services

Paradoxical as it may seem, a reduced passenger train service between competitive places as the result of combinations between Railway Companies gives the public a more frequent service. Under competition the trains of two Companies are frequently arranged to leave a town at or about the same hour, and it is obvious that, although a passenger has a choice of two routes at the same hour, he can only use one. Under combination, the reduced number of trains are arranged for departure at separate times, and (with an inter-available system for the use of return tickets) the passenger has more frequent opportunities of travelling.

The Late Mr R. Millar,
General Manager, Caledonian Railway.
(*Memorandum to Committee of Board of Trade Railway Conference*, 1909.)

No Real Competition

As regards charges, it cannot be pretended that in Great Britain competition has done much, if anything, to bring about a reduction. In very early days those who thought over railway problems saw that anything like competition in charges was out of the question, if Railway Companies were to pay dividends, and almost from the first combination took the place of competition so far as charges were concerned.

At the present time practically all rates and fares (including in those terms the conditions of the contract of carriage as well as the money charge) between the same points by competing routes are agreed, and almost the only respect in which rates and fares can be said to be reduced by competition of routes is that they are fixed on the distance by the shortest route, so that the charges by the longer route may be said to be reduced by competition.

But this is not a reduction in any real sense of the word, for it is seldom any advantage to a trader that his goods should be carried at a lower rate per mile, if the reduction in the rate per mile is only in proportion to the circuitousness of the route. In such cases it is the existence of the shorter route, not the competition between the two, that benefits the trader in the matter of charge. While competing routes between the same points afford the most common instances of agreement as to rates and fares, these are by no means the only instances. Thus, where two or more places situate on different railways are themselves in competition, the charges are often agreed, *e.g.* the rates between an inland town and two competing ports.

Apart from rates and fares, the charges for services other than actual transportation on railway and the conditions applicable to them, *e.g.* cartage charges and rebates, warehouse rents, wagon demurrage, etc., are generally agreed between the Companies in competitive districts, and in the stress of present railway conditions are likely to become increasingly so, so that we may say generally that competition between railways serving in the same district or forming alternative routes does nothing, or next to nothing, in the direction of reducing charges.

Indeed, it is quite likely that in some cases competition may help to keep up charges. Where agreement has to be arrived at, somebody has to give way, and between a Company wanting a low charge and a Company wanting a high one, it would not be surprising if on many occasions the former had to give way. Certainly instances could be cited where a Company's 'local' rates (*i.e.* the rates in which no other Company is concerned, and which, therefore, it can fix without consultation with others) are on a lower basis than its 'foreign' or 'through' rates, and it has often been stated, and has not, so far as I am aware, been seriously contradicted, that in the

district which is most free from railway competition, viz., the North-East of England, rates are at least as low and facilities as great as in other parts of England which enjoy the so-called 'benefits of competition.' This was pointedly referred to in an oft-quoted passage in the Report of the Joint Committee of 1872, and it is a striking commentary upon that passage that the only locality in which, so far as I am aware, proposals of the Company serving the district for expending capital in order to improve and extend its undertaking have been opposed by the local authority, is the one locality where, since 1872, the feature of direct railway competition has been introduced.

MR A. KAYE BUTTERWORTH,
General Manager, North Eastern Railway.
(*Memorandum to Committee of Board of Trade Railway Conference*, 1909.)

UNIFICATION INEVITABLY LEADS TO RAILWAY NATIONALISATION.

It may be worth while drawing attention at the outset to the fact that the history of British railways up to the present has been a record of successive amalgamations. For instance, the half-dozen largest railway undertakings in England are made up of some 300 amalgamations, and the mileage of the railways acquired by purchase or amalgamation (as distinguished from the original mileage of the parent Company and the mileage of new lines constructed from time to time by that Company) can hardly be less than three-quarters of the total mileage of these undertakings. Unless, therefore, we are prepared to admit the possibility of the whole railway policy in the past having been in a wrong direction, the inference is irresistible that combination between railways up to a point is desirable, and the only question to be considered at any particular time is whether that point has been reached, leaving out of view the

policy of uniting all railways under one management, which would almost necessarily mean the management by, or on behalf of, the State.

MR A. KAYE BUTTERWORTH,
General Manager, North Eastern Railway.
(*Memorandum to Committee of Board of Trade Railway Conference*, 1909.)

So long as the present relations between the railways and the State continue, it seems certain that, subject to proper safeguards in the interests both of the public and of other Railway Companies, considerable benefit would be derived by extending the opportunities for diminution of competition between Railway Companies.

Whether more extensive benefits might not be attained by a more complete and systematic elimination of competition, short of State purchase, by a scientific grouping of railways, constitutes an alluring field for speculation and inquiry.

Apart, however, from the inherent difficulties in connection with any attempt at defining the limits of the proposed groups, I do not see how such a result could be achieved without direct Government action, and, as a necessary concomitant, direct Government financial assistance and control. After reading the minutes of the meeting between the Chancellor of the Exchequer and the President of the Board of Trade, and the representatives of the Railway Association, it is clear, however, not only that such an inquiry is outside the scope of this Conference, but that the Board of Trade are not prepared to indicate the possession of any opinion upon the subject. Under the circumstances, therefore, it is perhaps better that the field should remain unexplored.

SIR W. GUY GRANET,
General Manager, Midland Railway.
(*Memorandum to Committee of Board of Trade Railway Conference*, 1909.)

For many years past both my studies on railway subjects and my practical experience have led me to a convinced belief in the advantages of well-regulated monopoly, in which I believe, even although it should come in the guise of State ownership.

Competition, in my judgment, creates more evils than it cures, especially the half-hearted and imperfect competition which exists in England so far as the railways are concerned, which cannot be regarded as free competition on a commercial basis. . . . It is impracticable to secure unification or any very extensive or far-reaching combinations of railways under private management, and I doubt whether any form of control which has yet been devised, or is likely to be devised, combined with partial competition, can give entirely satisfactory results.

SIR GEORGE S. GIBB,
Formerly General Manager, North Eastern Railway and Metropolitan District Railway.

(*Address to Royal Economic Society, November*, 1908.)

He was not advocating State purchase. It was not, he thought, for a railway official to advocate it or otherwise; he only thought it must come.

MR F. H. DENT,
General Manager, South Eastern and Chatham Railway.

(*Address to Railway Students' Association, reported in 'Railway Gazette,' 25th October*, 1912.)

CHAPTER XX

THE PATH OF RAILWAY REFORM AFTER NATIONALISATION

It may be taken for granted that when the railways are taken over by the State, the fullest advantage will gradually be taken to effect the improvements in management that are rendered possible by the unification of a number of separate systems, and while there will be no slavish adherence to any particular system adopted by existing State-owned systems, it is to be assumed that the best features of other railway systems which appear worthy of introduction will be put into practice in this country, while retaining any features of the existing British railway system—*e.g.* raised platforms, which appear superior to those of other railways and best suited to the national character.

Large economies and improvements in management will immediately be effected, for, with the disappearance of the railway shareholder as such, the fourteen hundred odd railway directorships, with their attendant expenses, will immediately be abolished, and their places taken by a Minister for Railways (or the post might be consolidated with that of the Postmaster-General, who would be designated Minister for Posts and Railways) and five Railway Commissioners. It is here suggested that four Railway Commissioners should be appointed as follows :—One by the Board of Trade, one by the Treasury, and two by the Minister for Railways, these four

Commissioners nominating a fifth to act as chairman. Two of the Commissioners should be persons of experience in railway management. The Railway Commissioners would probably retire at the end of every third or fifth year, but would be eligible for reappointment by the Railway Council, which would by that time be in operation, but such appointments would, of course, have to be ratified by the Minister for Railways. The Railway Commissioners would be required to give the whole of their time to their duties, and the remuneration of all five would certainly not exceed £20,000 per annum, which sum would be equal to £14 per head per annum of the fourteen hundred existing railway directors. The actual management of the railway system would be vested in these Railway Commissioners, who would be under the control of the Minister for Railways. The country would be divided into so many geographical sections, each of which would be placed under the control of a manager, and it is here that those of the general managers of the Railway Companies who have shown themselves to be competent would be employed; released from the necessity of spending most of their lives around Westminster, seeing their Companies' bills through Parliament, released furthermore from the necessity of having to be answerable to a Board of Directors whose function obviously it was to represent the interests of shareholders, these gentlemen would, for the first time, be able to work their section of the railway system with a single eye to the benefit of the community—*i.e.* efficiency in its true sense.

As these Railway Commissioners would be as much autocrats in their way as the directors

of the Railway Companies are at the present time, it would be necessary to temper their autocratic sway by an admixture of popular control. It would be desirable, therefore, to constitute a Railway Council, which should act as a sort of Railway Parliament, representative of all sections of the community. This should be an elected body, and could be formed on something like the following basis: each County Council could appoint two of its members, and each County Borough Council one representative. The Associated Chambers of Commerce, the Chambers of Trade, and the Associated Chambers of Agriculture of the kingdom should appoint a certain number of members (say, four each), whilst the Trade Union Congress might appoint twelve members as representative of labour. The term of office should be three years. Members of the Railway Council should be unpaid, but, as railway directors at the present time do, should travel free over the whole of the system during their term of office. This Railway Council should meet once quarterly, and more frequently if found necessary. Its duties would be to consider all questions of general improvements, rate and fare reductions or increases, wages, etc., and its decisions should be binding upon the Railway Commissioners, provided, however, that such decisions were ratified by the Minister for Railways.

The railway budget should be kept wholly distinct from the ordinary budget, and would be presented once annually to Parliament by the Minister for Posts and Railways, and three Parliamentary days should be allotted annually for its discussion, when a full opportunity would be given to bring up any questions of first

importance which could not be satisfactorily settled by the Railway Council.

One of the first tasks of the new management will be to introduce uniformity of procedure, rates, fares, etc. At the present time, for example, each Company has its own despatch note, and a merchant in a town served by four different Companies has to keep a stock of four different despatch notes. Regulations and practices will be codified, so that the same rules and charges shall obtain all over the kingdom, and in these petty matters of detail a great deal of trouble and expense will at once be saved, and the whole machine will work more smoothly.

Then will commence the task of reorganising the train service, doing away with the numerous duplicate services which still exist. There will be ample scope for this in the case of goods trains, and many sections of duplicate routes could be utilised for goods traffic only, leaving others clear for passenger traffic.

Uniformity of passenger fares will be instituted, and will be a much easier task than in the case of the goods rates. Season tickets, workmen's tickets, scholars' and apprentices' tickets will be worked out purely on a mileage basis, with the result that, instead of being issued merely between certain stations as is at present the case, they will be obtainable between any two points in the country; there will be a fixed tariff for tickets of this class, the prices being regulated simply by distance. As to the future basis of passenger fares, this will be dealt with farther on in the present chapter.

The question of goods rates certainly presents much more difficulty, on account of the chaos existing at present, when in many cases it is

absolutely impossible to get a rate quoted for goods from one place to a distant place on another Company's system. The unfortunate officials themselves, if asked a rate, find themselves unable to give it. One immediate result of the unification of the different Companies' systems will, however, be the abolition of the practice at present obtaining of calculating the charge on a consignment of goods travelling over two Companies' systems as though it were two separate journeys. (See pages 31 and 40 for an explanation.)

The work of simplifying our system of goods rates will certainly have to be undertaken, and will occupy some years. It is dangerous to venture a prophecy as to the ultimate basis on which goods rates will be worked out in this country, but in the writer's opinion the only satisfactory system, short of an extension of the parcel post principle, will be to divide all goods and produce into a small number of classes (say, ten) and to adopt a tapering scale of rates strictly on a mileage basis. A great simplification and an enormous stimulus to trade and activity within the country will, however, be given by the much closer working between the Post Office and the railways that will be rendered possible as soon as the latter also belong to the State. As is pointed out on page 228, in most countries where the State owns and operates the railways, the Post Office conveys packages of up to 1 cwt. at a low fixed rate, doing away with all classifications, and often doing away also with the question of mileage. By extending this principle to the United Kingdom, an enormous amount of traffic would be carried in this fashion, and would place the producer 300 miles distant from

a centre of consumption on an equality with the producer who is only twenty or thirty miles distant. This point should be noted by those persons whose argument against Railway Nationalisation is that lower rates would merely increase the landlords' profits.

As regards passenger fares, here also a tapering rate might gradually be introduced—the longer the journey the less the charge per mile. To encourage travel, circular tickets like those in vogue on practically all the Continental systems should be introduced—*i.e.* the traveller is allowed to mark out his own itinerary, and the cost is calculated on the ordinary mileage basis, less a reduction of from 25 per cent. to 30 per cent., according to the total distance covered. A day may come when there will be only three fares charged throughout the whole of the United Kingdom—perhaps twopence for any journey up to 25 miles, sixpence for a journey between 25 and 100 miles, and a shilling for a journey above this. To most readers, particularly those in the railway world, this prophecy will appear wholly preposterous—just as preposterous as a century ago the notion would have been that a letter travelling from London to Glasgow (402 miles) would be carried for the same charge as from the Bank of England to Charing Cross (two miles). But this is a matter for the future. Meantime it may surprise some readers to know that, leaving season tickets out of account, but lumping together first, second, and third class passengers, the average fare paid in 1911 by the 1,326,317,000 passengers who were carried on the railways of the United Kingdom worked out at less than 7¼d.

As in Germany, a special department will be

pooled, there should quickly be an improvement in this respect, as the best stock would be used to its utmost capacity. The terrible inequalities that exist at present as regards rolling stock on the different lines will soon cease to exist, and it is to be expected that, freed from the drag and antiquated ideas of wealthy directors, the scandal of tens of thousands of empty first-class coaches, with each compartment brilliantly illuminated, being dragged about the country, will come to an end. The second class will, no doubt, immediately be abolished throughout the country, and except on special *trains de luxe*, against which there is nothing to be said so long as people are willing to pay for them, it is to be expected that the number of first-class coaches will be reduced to the proper proportions, until they disappear altogether, their place being taken by composite coaches, containing here and there one first-class compartment for the comparatively few people who are willing to pay an increased fare for the sake of seclusion. There is little doubt that all long-distance trains will gradually consist of vestibule cars, and it is to be hoped that all these trains will carry a buffet (not necessarily a restaurant car), from which passengers may order light refreshments.

With the increasing tendency on the part of town workers to live in the country, some distance from their work, breakfast would be a most popular meal on thousands of long distance trains each morning, if a light meal were obtain able at reasonable rates.

The numerous abuses which at present exist in connection with privilege tickets would be swept away, and these tickets would be granted only in certain well-defined cases, which would

be published in the annual report, as is already done in the case of the Swiss Government and other State-owned railways.

Returning to the subject of goods traffic, it will probably be expedient to divide this into two classes of speed, the fast goods traffic costing so much per cent. more than the standard rate for ordinary traffic. In view of the extension of the parcel post system already referred to, whereby packages up to 1 cwt. in weight, without restriction of size and without regard to contents, would be carried by that system, an enormous proportion of the traffic which requires immediate delivery would be forwarded by that method, and would be a boon to traders; by co-ordinating the different systems and running goods traffic between certain places over the least-used routes for passenger traffic (it is only with complete unification of the railways that a demarcation of this sort becomes possible) the working of the goods service will be vastly facilitated, and thousands of unnecessary duplicate goods yards and goods receiving offices will be closed, the traffic being centred upon the most convenient ones. In the big towns central goods stations will be erected, probably on the lines already laid down in such valuable detail by Mr A. W. Gattie, managing director of the New Transport Company, Limited, which, in London alone, it is estimated, would result in an annual saving of £20,000,000.

These are merely some of the improvements which appear probable as the result of nationalisation; others would suggest themselves and would come along in due course.

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